THE TEXAS STATE UNIVERSITY SYSTEM

Office of Internal Audit

Audit and Compliance Plan
Fiscal Year 2025

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INTRODUCTION AND PURPOSE

The *Fiscal Year 2025 Audit and Compliance Plan* ("Plan") documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2025. The Plan satisfies statutory responsibilities outlined in Section 2102.008 of the Texas Government Code, the Texas State University System *Rules and Regulations*, and applicable auditing standards. The number of hours budgeted to perform all activities in the Plan totals 26,287.

Plan Categories

The Plan is divided into three different categories:

- Statutory/Required Audits and Activities: Projects required by law or by external oversight entities for all institutions and System Administration (except where noted).
- Risk-Based Functional Areas: Projects allocated amongst the institutions based on risks identified during the annual risk assessment process and subsequently categorized by functional area. See the section entitled "Risk Assessment Process" below for more information.
- Other Activities: Projects required by grant agreements or third parties, consulting and advisory services, special projects such as time-sensitive management-requested reviews or investigations, identification and communication of emerging compliance requirements, liaising with external auditors, and other functions designed to assist management in mitigating risks.

Risk Assessment Process

Because of the increase in the number of statutorily-required projects and activities, audit and compliance resources available for risk-based projects have diminished. Therefore, it is critical that such projects focus on areas where independent reviews will provide the most value to the Texas State University System as a whole. In order to identify such projects, the Office of Internal Audit uses a two-phase risk assessment process.

The first phase of the risk assessment is the annual risk assessment, used to build this Plan. Texas Government Code 2102.005 requires audit plans to be developed "*utilizing risk assessment techniques*." The collective risk assessment activities performed at the institutions and System Administration in developing this Plan included, but were not limited to, the following:

- Soliciting input from the Board of Regents, the Chancellor, Vice-Chancellors, and Component Presidents and management;
- Consulting with oversight entities regarding emerging concerns;
- Considering national trends within higher education;
- Evaluating materiality;
- Assessing the potential impact of negative public scrutiny; and
- Utilizing professional judgment and knowledge gained from prior projects regarding areas of risk and information gained through continual risk assessment discussions with management throughout the year.

The risk assessments considered a myriad of risks, including those associated with the potential for fraud, contracting and contract management risks, benefits proportionality risks, risks associated with turnover in key positions, and information technology risks (including those associated with Title 1, Texas Administrative Code, Chapter 202, *Information Security Standards)*. The risk assessments also considered work performed by external auditors, institutional risk appetites, and activities where assurance or consulting engagements would be most helpful to management.

Upon completion of the annual risk assessment, identified risks were categorized into various functional areas based on the various organizational structures within the Texas State University System, the Risk Dictionary classifications created by the *Association of College and University Auditors*, and the functional expense classifications promulgated by the *National Association of College and University Business Officers* for financial statement reporting purposes.

Each functional area contains numerous activities, processes, and operations that could be the subject of an audit (see Appendix A). Except for compliance reviews (which are typically conducted on a system-wide basis), the various functional areas and the specific projects selected for review in those functional areas vary amongst the institutions and System Administration depending on the level of risk. For example, a project in the Financial Management functional area at Lamar University could involve an audit of accounts payable, while a project in the Financial Management functional area at Sul Ross State University could involve an audit of accounts receivable. There could be no projects (or multiple projects) in the Financial Management functional area at Sam Houston State University.

The second phase of the risk assessment occurs when audit resources become available to commence a project in a designated functional area. Although the first phase of the risk assessment provides clear indicators of auditable units that would benefit from review, some units are of higher risk than others, and sometimes risks identified during the annual risk assessment become mitigated as time passes. Therefore, as project planning begins, we conduct additional assessments to pinpoint the activities best suited for review. This approach affords us the flexibility to ensure emerging risks are timely reviewed.

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee. Also, consistent with prior years, the risk assessment identified high risk areas that were not included in the Plan due to finite resources.

The Plan appears on the following page. Blue checkmarks, which represent one or more planned projects, are used to identify the functional areas at individual institutions and System Administration where the Office of Internal Audit plans to devote resources throughout the year. Green checkmarks represent one or more planned projects where compliance initiatives will be performed on a system-wide basis.

TEXAS STATE UNIVERSITY SYSTEM
AUDIT AND COMPLIANCE PLAN - FISCAL YEAR 2025

STATUTORY/REQUIRED AUDITS AND ACTIVITIES	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
SB 20 – Annual Policy Review & Contract Administration	✓	✓	✓	✓	✓	✓	✓	✓
Quarterly Follow-Up Reviews	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
Risk Assessment/Audit & Compliance Plan (for FY 2026)	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
Annual Internal Audit Report (for FY 2024)	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
Quality Assurance Self-Assessment	✓	✓	✓	✓	✓	✓	✓	✓
Joint Admission Medical Program	✓	✓	✓	✓				
THECB Facilities Peer Review Team Revisit			✓					
NCAA Compilation		✓						
Adaptation of New Internal Auditing Standards	✓	✓	✓	✓	✓	✓	✓	✓
Title IX Quarterly and Annual Reporting	✓	✓	✓	✓	✓	✓	✓	✓
Continuing Education	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
State-Mandated Training (Compliance Office)								✓

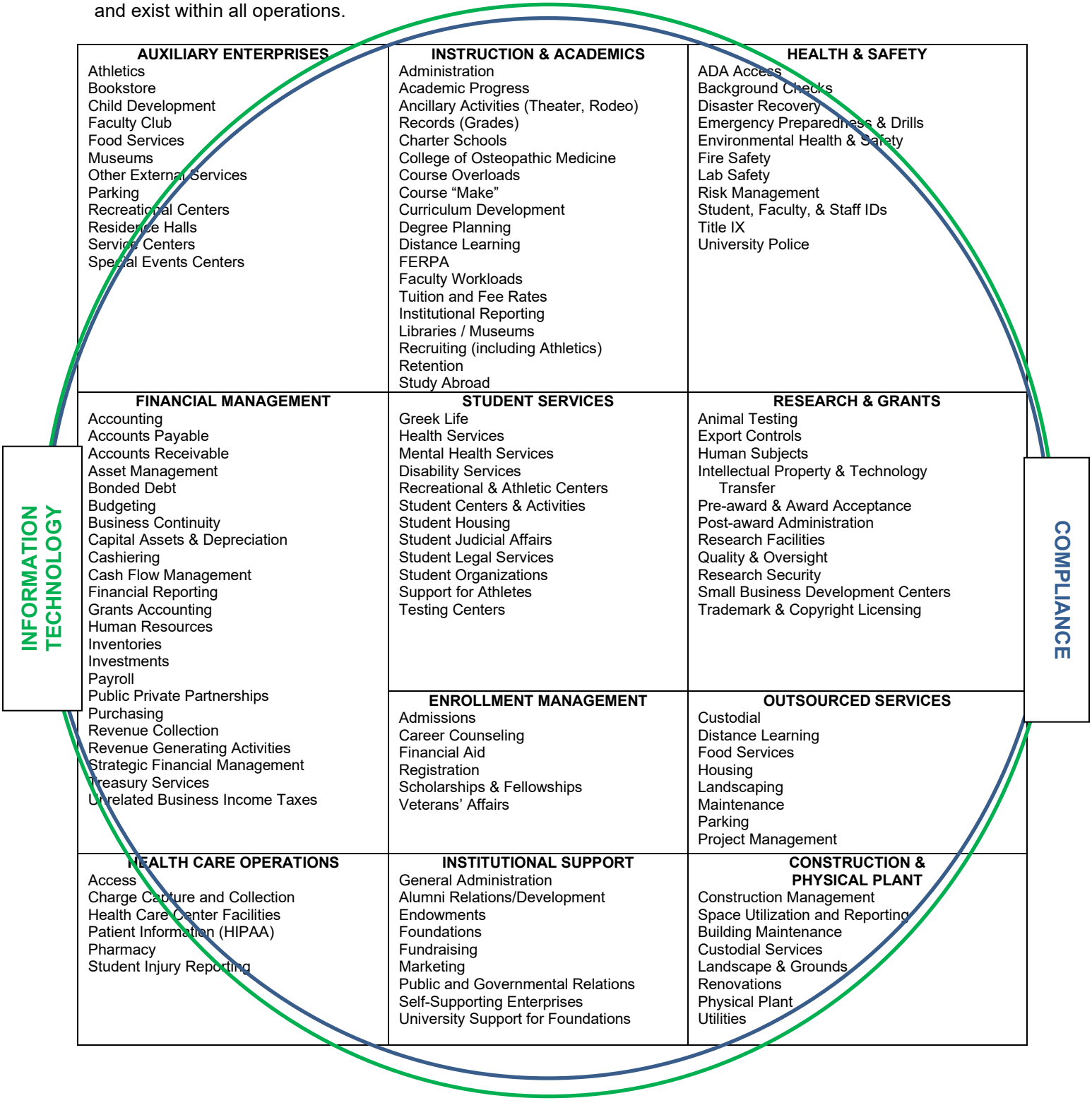
RISK-BASED FUNCTIONAL AREAS (See Appendix A)								
Auxiliary Enterprises				✓				
Instruction and Academics		✓		✓	✓			
Health & Safety	✓	✓✓	✓	✓✓	✓	✓	✓	✓
Financial Management	✓✓	✓✓	✓✓	✓✓	✓	✓	✓	✓
Student Services		✓						
Enrollment Management	✓	✓	✓		✓			
Research & Grants	✓	✓✓	✓✓	✓✓	✓	✓	✓	✓
Health Care Operations								
Construction & Physical Plant		✓	✓	✓	✓	✓	✓	✓
Information Technology	✓	✓	✓	✓	✓	✓	✓	✓
Institutional Support (includes Senate Bill 17)	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓

OTHER ACTIVITIES								
Special Projects	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
SACSCOC Assistance	✓	✓			✓	✓		
Internal Audit Software Solution Project								✓
Audit & Compliance Liaison Activities	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
Clery Act Reviews	✓	✓	✓	✓	✓	✓	✓	
State Due Date Database	✓	✓	✓	✓	✓	✓	✓	✓

✓ = One or more planned audit project(s) ✓ = One or more planned compliance project(s)

APPENDIX A
RISK-BASED FUNCTIONAL AREAS

This chart depicts examples of (but not all) subprocesses/activities within each functional area, many of which overlap. These activities represent potential auditable units; however, some activities inherently have higher risks than others. Finite resources preclude audits of every activity listed, including those known to have higher risks. Therefore, the absence of checkmarks in the Plan for risk-based audits means that no work is planned in the corresponding functional area(s). Information technology and compliance risks surround all of the functional areas and exist within all operations.



AUXILIARY ENTERPRISES
- Athletics
- Bookstore
- Child Development
- Faculty Club
- Food Services
- Museums
- Other External Services
- Parking
- Recreational Centers
- Residence Halls
- Service Centers
- Special Events Centers

INSTRUCTION & ACADEMICS
- Administration
- Academic Progress
- Ancillary Activities (Theater, Rodeo)
- Records (Grades)
- Charter Schools
- College of Osteopathic Medicine
- Course Overloads
- Course "Make"
- Curriculum Development
- Degree Planning
- Distance Learning
- FERPA
- Faculty Workloads
- Tuition and Fee Rates
- Institutional Reporting
- Libraries / Museums
- Recruiting (including Athletics)
- Retention
- Study Abroad

HEALTH & SAFETY
- ADA Access
- Background Checks
- Disaster Recovery
- Emergency Preparedness & Drills
- Environmental Health & Safety
- Fire Safety
- Lab Safety
- Risk Management
- Student, Faculty, & Staff IDs
- Title IX
- University Police

FINANCIAL MANAGEMENT
- Accounting
- Accounts Payable
- Accounts Receivable
- Asset Management
- Bonded Debt
- Budgeting
- Business Continuity
- Capital Assets & Depreciation
- Cashiering
- Cash Flow Management
- Financial Reporting
- Grants Accounting
- Human Resources
- Inventories
- Investments
- Payroll
- Public Private Partnerships
- Purchasing
- Revenue Collection
- Revenue Generating Activities
- Strategic Financial Management
- Treasury Services
- Unrelated Business Income Taxes

STUDENT SERVICES
- Greek Life
- Health Services
- Mental Health Services
- Disability Services
- Recreational & Athletic Centers
- Student Centers & Activities
- Student Housing
- Student Judicial Affairs
- Student Legal Services
- Student Organizations
- Support for Athletes
- Testing Centers

RESEARCH & GRANTS
- Animal Testing
- Export Controls
- Human Subjects
- Intellectual Property & Technology Transfer
- Pre-award & Award Acceptance
- Post-award Administration
- Research Facilities
- Quality & Oversight
- Research Security
- Small Business Development Centers
- Trademark & Copyright Licensing

ENROLLMENT MANAGEMENT
- Admissions
- Career Counseling
- Financial Aid
- Registration
- Scholarships & Fellowships
- Veterans' Affairs

OUTSOURCED SERVICES
- Custodial
- Distance Learning
- Food Services
- Housing
- Landscaping
- Maintenance
- Parking
- Project Management

HEALTH CARE OPERATIONS
- Access
- Charge Capture and Collection
- Health Care Center Facilities
- Patient Information (HIPAA)
- Pharmacy
- Student Injury Reporting

INSTITUTIONAL SUPPORT
- General Administration
- Alumni Relations/Development
- Endowments
- Foundations
- Fundraising
- Marketing
- Public and Governmental Relations
- Self-Supporting Enterprises
- University Support for Foundations

CONSTRUCTION & PHYSICAL PLANT
- Construction Management
- Space Utilization and Reporting
- Building Maintenance
- Custodial Services
- Landscape & Grounds
- Renovations
- Physical Plant
- Utilities