



**TEXAS SOUTHERN UNIVERSITY  
DEPARTMENT OF INTERNAL AUDIT &  
ASSURANCE SERVICES**

**FY2023 ANNUAL INTERNAL AUDIT PLAN**

August 19, 2022

The Honorable Greg Abbott, Governor  
Members of the Legislative Budget Board  
Internal Audit Coordinator, State Auditor's Office

Dear Ladies and Gentlemen:

Attached is the FY 2023 Annual Internal Audit Plan for the Texas Southern University (TSU/University) approved by TSU's Board of Regents on August 18, 2022. The Annual Internal Audit Plan will enable the University to comply with the Texas Internal Auditing Act, Texas Government Code Chapter 2102 as amended by House Bill 2485 during the 78th Legislature and House Bill 16 during the 83rd Legislature. Texas Southern University's internal audit function will execute this annual audit plan in accordance with The Texas Internal Auditing Act, The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, the IIA's Code of Ethics, and Generally Accepted Government Auditing Standards (GAGAS).

Please contact Darlene Brown at 713.968.1617 or Regent Marilyn Rose if you should have any questions about this audit plan.

Sincerely,



Darlene Brown, CIA, CFE, CSM  
Partner

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## **1.0 Compliance with Texas Government Code, Section 2102.015: Posting the Audit Plan and Annual Report on the Internet**

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency's website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, internal audit will provide this Annual Internal Audit Plan, the Annual Internal Audit Report, and any other required internal audit information to the TSU's web master who will ensure the information is posted to the Texas Southern University's website.

## **2.0 Purpose**

The purpose of this document is to communicate the annual risk-based audit plan as approved by the Texas Southern University's Board of Regents, the methodology used to develop the annual audit plan, the timing and resource requirements necessary to complete the audit plan, and the communication of audit results and any significant interim changes to the annual audit plan.

Traditionally, the annual audit plan is developed based on a prioritization of the audit universe, input from the executive leadership, TSU Board of Regents Audit Committee and guidance provided by the State Auditor's Office (SAO). The audit plan is based upon a comprehensive risk assessment framework where we identify the organizational sources for potential engagements and auditable activities; assess organizational risk factors; evaluate the proposed engagements; and prioritize the audits based on the risk rating.

## **3.0 Risk Assessment**

Risk is defined as the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood. An organization's risk exposure is determined through the identification of risks and evaluating the impact on operations and likelihood of occurrence.

Risk assessments identify an organization's exposure to business disruptions and barriers to achieving the organization's strategic goals. They serve as a tool to focus limited resources to perform evaluations of controls that are in place to limit the exposure.

The types of risk exposure relevant to the TSU are:

- *Compliance Exposure:* Compliance exposure exists whenever an event or activity could cause the University to fail to comply with regulations mandated by state or federal authorities.
- *Information Exposure:* An information exposure exists whenever there is information of a sensitive or confidential nature, which could be altered, destroyed, misused, or compromised.

- *Operating Model Exposure:* An operating model exposure exists whenever University processes, systems, and resources are not adequate or are not working together in an effective or efficient manner.
- *Financial Exposure:* Financial exposure exists whenever an audit area is susceptible to errors or defalcations that affect the general ledger and financial statements or the integrity and safekeeping of TSU assets, regardless of the financial statement impact.
- *Enrollment Supply Exposure* –This exposure exists due to declining student populations and occurs when there are gaps between estimates and actual student enrollment which then impacts:
  - Sustaining financial health
  - Sustaining operations
  - Forecasting faculty needs and utilization
  - Determining infrastructure needs
  - Determining administrative support and operations needs
- *Environmental Exposure:* An environmental exposure exists whenever internal or external factors pose a threat to the stability and efficiency of an audit area. Examples of factors that affect environmental exposure are:
  - Recent changes in key personnel
  - Changing economic conditions
  - Time elapsed since last audit
  - Pressures on management to meet objectives
  - Past audit findings and quality of internal control
- *Physical Security:* A physical security exposure exists whenever security, processes, or people fail to protect students, faculty, staff, visitors, and property from violence, injury, property damage, or property vandalism.
- *Human Resource Exposure:* A human resource exposure exists whenever an area is managing human resources in a way, which is contrary to University policy and/or labor regulations.
- *Reputational Exposure:* A reputational exposures exists whenever an event or activity could jeopardize the reputation of the University and stakeholder trust.

The Texas Internal Auditing Act requires each state agency and institution of higher education to conduct an annual formal risk assessment to evaluate the probability of occurrence and likely effect of financial, managerial, and compliance risks, and information technology usage risks. This written risk assessment is required to be submitted to the state auditor in the form and time prescribed by the state auditor. The state auditor has not prescribed the form and time as of this document preparation and therefore, we include the risk assessment results in this document.

The Institute of Internal Auditors (IIA) Standard 2010.A1 require the chief audit executive to establish a risk-based audit plan to determine the internal audit priorities.

TSU's internal audit function is currently in transition with an acting chief audit executive and a comprehensive risk assessment for fiscal year 2023 has not been completed. This fiscal year 2023 Annual Internal Audit Plan is based upon internal audit's prioritization of fiscal year 2022 audits not completed and review of the University's risk universe. Internal Audit anticipates that a comprehensive risk assessment will be completed by the end of calendar year 2022. Once this is completed, we will update the fiscal year 2023 Annual Internal Audit Plan accordingly.

#### 4.0 FY 2023 Annual Internal Audit Plan

Internal audit will conduct 16 audits, perform a risk assessment, conduct prior audit finding follow-up activities, prepare the FY 2024 Annual Internal Audit Plan and prepare the FY 2022 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. Hours dedicated to the audit plan are estimated to require **8,094 hours**. This audit plan intentionally provides flexibility to schedule unplanned audits when the need arises and conduct investigations as they are reported. The planned audits, timing and estimated hours are summarized in the chart below.

##### Fiscal Year 2023 Annual Internal Audit Plan

Audit Activity and Scope/Focus	Risk Ranking	Priority	Estimated Hours	Estimated Timing
<b>Internal Audits</b>				
<b>Contract Administration - Continuation from FY2022</b> <ul style="list-style-type: none"> <li>• Compliance with applicable SB20 requirements</li> <li>• Procurement process (RFP/RFQ) adherence</li> <li>• Conflict of interest verification</li> <li>• Vendor and contractor setup process including background screening</li> <li>• Contract execution controls</li> <li>• Change management controls</li> <li>• Contract Risk Assessment and Monitoring</li> <li>• Adherence to HUB purchasing requirements</li> </ul>	High	High	300	September - October 2022
<b>Human Resources Vital Records / Documents and Processes</b> <ul style="list-style-type: none"> <li>• Data Privacy</li> <li>• Data Identification</li> <li>• Data Classification / Labeling</li> <li>• Professional Certifications</li> </ul>	High	High	400	September - October 2022
<b>Disbursements</b> <ul style="list-style-type: none"> <li>• Compliance with MAPPS.</li> <li>• Authorization.</li> <li>• Supporting documentation.</li> <li>• Invoice accuracy and PO alignment.</li> <li>• Recording accuracy.</li> <li>• Grant expenditure eligibility determination process.</li> </ul>	High	Medium	450	October - December 2022
<b>Endowment Funds</b> <ul style="list-style-type: none"> <li>• Expenditure Compliance</li> <li>• Investment Compliance</li> <li>• Financial Reporting Accuracy &amp; Completeness</li> </ul>	High	High	400	October - November 2022

<b>Audit Activity and Scope/Focus</b>	<b>Risk Ranking</b>	<b>Priority</b>	<b>Estimated Hours</b>	<b>Estimated Timing</b>
<b>Dual Employment Employees (SAO)</b> <ul style="list-style-type: none"> <li>• Identification of Dual Employees</li> <li>• Tracking of Dual Employees</li> <li>• Ensuring compliance of Conflict of Interest requirements of Dual Employees</li> </ul>	High	High	300	November - December 2022
<b>Payroll</b> <ul style="list-style-type: none"> <li>• Accuracy</li> <li>• Overtime</li> <li>• Withholding Reporting</li> </ul>	High	High	400	December 2022 - January 2023
<b>Monthly Reviews</b> <ul style="list-style-type: none"> <li>• Network Access Controls - Employees and Contractors</li> </ul>	High	High	96	On-going
<b>Monthly Reviews</b> <ul style="list-style-type: none"> <li>• Enrollment Reporting</li> <li>• Cost of Attendance</li> <li>• Financial Aid Award</li> <li>• Return to Title IV</li> </ul>	High	High	480	On-going
<b>Quarterly Reviews</b> <ul style="list-style-type: none"> <li>• Cash Management (Financial Aid Drawdowns)</li> <li>• Allowable Costs</li> </ul>	High	High	288	On-going
<b>Enrollment Services</b> <ul style="list-style-type: none"> <li>• Admissions</li> <li>• Recruitment</li> <li>• Registrar's Office</li> </ul>	High	High	600	January - March 2023
<b>Intercollegiate Athletics</b> <ul style="list-style-type: none"> <li>• NCAA Compliance</li> </ul>	High	High	400	February - March 2023
<b>Facilities Services</b> <ul style="list-style-type: none"> <li>• Construction Contracts</li> <li>• Maintenance Operations &amp; Contracts</li> </ul>	High	High	600	February - April 2023
<b>College of Pharmacy and Health Sciences</b> <ul style="list-style-type: none"> <li>• Policy Compliance</li> </ul>	High	High	400	March - May 2023
<b>Grants Office</b> <ul style="list-style-type: none"> <li>• Grants Oversight and Administrative Operations</li> <li>• Grants Compliance</li> </ul>	High	High	600	April - June 2023
<b>Statutory or Contract Required Audits</b>				
<b>Drug Free Schools and Communities Act Compliance</b> <ul style="list-style-type: none"> <li>• Required Written Notifications</li> <li>• Program Effectiveness</li> <li>• Sanction Enforcement Consistency</li> </ul>			350	November - December 2022



Audit Activity and Scope/Focus	Risk Ranking	Priority	Estimated Hours	Estimated Timing
<b>Public Funds Investment Act Compliance</b> <ul style="list-style-type: none"> <li>• Investment Policy</li> <li>• Reporting Accuracy</li> <li>• Investment Compliance</li> <li>• Training Compliance</li> <li>• Reporting Compliance</li> </ul>			160	July - Aug-23
<b>Administration</b>				
<b>Quality Assurance Improvement Program</b> <ul style="list-style-type: none"> <li>• Design Templates and Revamp Audit Processes.</li> <li>• Self-Assessment and Reporting.</li> <li>• Quarterly Reporting.</li> </ul>	N/A	High	400	On-going Self - Assessment October-November 2022
<b>Enterprise Risk Management Program</b> <ul style="list-style-type: none"> <li>• Completion and roll-out of the ERM Program</li> </ul>	N/A	High	600	On-going
<b>Communications</b> <ul style="list-style-type: none"> <li>• Audit Committee Meetings</li> <li>• Leadership Meetings</li> <li>• Board of Regents Meetings</li> </ul>	N/A	N/A	200	On-going
<b>Audit Follow-Up</b>				
Internal Audit Follow-Up <ul style="list-style-type: none"> <li>• Follow-up on prior audit findings.</li> </ul>	Medium	Medium	400	On-going during FY2023
<b>Texas Internal Audit Act Compliance</b>				
Risk Assessment and FY2023 Annual Internal Audit Plan Development	Compliance	N/A	120	Oct-22
Annual Internal Audit Report	Compliance	N/A	30	Oct-22
Risk Assessment and FY2024 Annual Internal Audit Plan Development	Compliance	N/A	120	Jun-23
<b>Total Hours</b>			<b>8,094</b>	
<b>Total Staff Hours Available</b>			<b>9,848</b>	
<b>Hours Available for Unplanned Audits, Management Requests, and Investigations</b>			<b>1,754</b>	

Additionally, we recommend to co-source the following audits related to information technology.

Proposed Co-Source Audits	Risk Ranking	Priority	Estimated Hours	Estimated Timing
<b>Internal Audits</b>				
Information Technology Security Assessment including Compliance with Texas Administrative Code 202.	High	High	450	October - December 2022
Information Technology Business Impact Assessment / Continuity of Operations	High	High	300	October - December 2022



## **5.0 Significant Interim Changes**

Internal Audit anticipates that a comprehensive risk assessment will be completed by the end of calendar year 2022. Once this is completed, we will update the fiscal year 2023 Annual Internal Audit Plan accordingly and submit the approved plan to the State Auditor's Office.

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with the Institute of Internal Auditors (IIA) Performance Standard 2020, the Chief Audit Executive will communicate any significant changes of the audit plan to TSU's Board of Regents Audit Committee for review and approval. Notification of significant changes to the internal audit plan approved by the Board of Regents will be submitted to the State Auditor's Office.

This annual audit plan was presented to the Board of Regents and approved on August 18, 2022.