



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

FY2022 ANNUAL INTERNAL AUDIT REPORT

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October 13, 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 fiscal year (FY) 2022 Annual Internal Audit Report for Texas Southern University (TSU). This annual internal audit report is submitted in accordance with the Texas Internal Auditing Act requirement for state agency internal auditors to prepare and distribute an annual report (Government Code, Chapter 2102).

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for their governing board. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the Annual Internal Audit Report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the FY 2022 Annual Internal Audit Report is due November 1, 2022.

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

Sincerely,

Darlene Brown, CIA,CFE
Acting Chief Audit Executive

I. 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 Annual Internal Audit Plans and Annual Internal Audit Reports to the agency's internet 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 ensure the required Annual Internal Audit Plan, Annual Internal Audit Report and any other required internal audit information is provided to the TSU's Chief of Staff for posting to their website.

II. FISCAL YEAR 2022 INTERNAL AUDIT PLAN STATUS

See deviation from Fiscal Year 2022 Internal Audit Plan discussion below.

Deviation from Fiscal Year 2022 Internal Audit Plan

TSU's Chief Audit Executive resigned May 13, 2022. When the Acting Chief Audit Executive assumed the responsibilities on May 17, 2022, the FY2022 Annual Internal Audit Plan was reviewed to determine each audit's status. Through this review, it was determined that most of the audits had not been completed due to the focus on assisting with TSU's preparation for the Single Audit repeat findings follow-up review. Therefore, the audits were reprioritized based on the risk, current workload, remaining available staff hours, and staff expertise. The table below reflects the updated FY2022 Annual Internal Audit Plan status. This updated audit plan was discussed with TSU's Audit Committee and the Board of Regents in June 2022.

Audit Activity and Scope/Focus	Risk Ranking	Report Number	Report Date	Report Title	Audit Status
Internal Audits					
Contract Administration Process •Compliance with applicable SB20 requirements. •Procurement process (RFP/RFQ) adherence. •Conflict of interest verification. •Vendor and contractor setup process including background screening. •Contract execution controls. •Change management controls for contracts >\$10M or increase of >20 percent. •Contract Risk Assessment and Monitoring Processes. •Adherence to MBE/WBE/DBE purchasing requirements.	High	22-003	TBD	Contract Administration Processes	In-Progress
Benefits Proportionality 2019 - 2021 •Compliance with applicable requirements prescribed by Section 6.08, page IX-28, the General Appropriations Act (87th Legislature). •Report accuracy submitted by TSU demonstrating proportionality required by Section 6.08(g). •Identify and disclose all instances of noncompliance with the proportionality requirements and the status of any resulting reimbursement payments to the Comptroller of Public Accounts.	Compliance Required by SAO	22-002	4-Oct-22	Benefits Proportionality by Method of Finance	Completed
PFIA Follow-Up •Determine implementation status of prior audit finding.	Low	22-001	11-Sep-22	Public Funds Investment Act Follow-Up	Completed
THECB Facilities Space Utilization Certification / Preparation for July 27-28 external audit •Development Projects Review.	Compliance	N/A	N/A	N/A	Carried forward to FY2023
Human Resources Vital Records / Documents and Processes •Data Privacy •Data Identification •Data Classification / Labeling	High	N/A	N/A	N/A	Carried forward to FY2023
Internal Audits					
Disbursements •Compliance with MAPPS. •Authorization. •Supporting documentation. •Invoice accuracy and PO alignment. •Recording accuracy. •Grant expenditure eligibility determination process.	High	N/A	N/A	N/A	Carried forward to FY2023
College of Science Engineering and Technology •Compliance with policies and procedures.	Request	N/A	N/A	N/A	Cancelled
College of Pharmacy and Health Science •Compliance with policies and procedures.	Request	N/A	N/A	N/A	Carried forward to FY2023
Information Technology Security Assessment	High	N/A	N/A	N/A	Carried forward to FY2023
Information Technology Regulatory Compliance (TAC 202)	High	N/A	N/A	N/A	Carried forward to FY2023
Information Technology Business Impact Assessment / Continuity of Operations	High	N/A	N/A	N/A	Carried forward to FY2023

Audit Activity and Scope/Focus	Risk Ranking	Report Number	Report Date	Report Title	Audit Status
Special Projects / Requests					
SAO A-133 Repeat Findings •Completion of SAO A-133 findings remediation Collaborative Assistance Team efforts.	High	N/A	N/A	N/A	Completed - This was facilitation and audit of transactions to identify errors for management to correct.
SAO Off-Cycle Audit •Provide support for SAO off-cycle audit.	High	N/A	N/A	N/A	Completed - This was facilitation and audit of transactions to identify errors for management to correct.
SACSCOC •Assist with preparation of monitoring report to SACSCOC.	High	N/A	N/A	N/A	Completed - TSU submitted their monitoring report letter to SACSCOC.
Quality Assurance Review (QAR) •Work with external firm to finalize and develop corrective action plan for any findings noted.	Compliance	N/A	N/A	N/A	Completed - External auditor provided the peer review report to TSU's Audit Committee.
Dual Employment Employees (SAO) •Identification of Dual Employees •Tracking of Dual Employees •Ensuring compliance of Conflict of Interest requirements of Dual Employees	High	N/A	N/A	N/A	Carried forward to FY2023
Enterprise Risk Management Program •Completion and roll-out of the ERM Program	Medium	N/A	N/A	N/A	On-Going
Audit Activity and Scope/Focus	Risk Ranking	Report Number	Report Date	Report Title	Audit Status
Investigations					
Investigation - Current •Complete documentation and issue report	High	N/A	N/A	N/A	Reports not issued.
Additional Investigations •As assigned and/or reported to TSU	High	N/A	N/A	N/A	Reports not issued.
Management Support & Continuous Monitoring					
Regulatory Areas	High			TBD	Carry Forward to FY2023
Fiscal Responsibility - Internal Units •Adherence to applicable MAPPS •Financial transaction processing controls. •Budgeting and expenditure analysis. •Contract administration. •Cash management.	High			250	Carry Forward to FY2023
Selective Research Centers or Direct Grants and Contracts •Fiscal oversight and management.	Medium	N/A	N/A	N/A	Carried forward to FY2023
Division / College Business Administrator Sustainability •Assess College Business Administrator position effectiveness within each college.	Medium	N/A	N/A	N/A	Internal Audit is not performing this activity.
Audit Activity and Scope/Focus	Risk Ranking	Report Number	Report Date	Report Title	Audit Status
Audit Follow-Up					
External Audits / Reviews •Provide support for external audits.	N/A	N/A	N/A	N/A	As-Needed
Internal Audit Follow-Up • Follow-up on prior audit findings.	Medium	N/A	N/A	N/A	On-going during FY2023
Administration					
Risk Assessment and FY2023 Annual Internal Audit Plan Development	Compliance	N/A	N/A	N/A	Completed
Annual Internal Audit Report	Compliance	N/A	N/A	N/A	Completed
Assistance Being Provided - Not on Annual Audit Plan					
SEFA Notes Follow-Up Audit Assistance •Review notes and reconciliations in preparation for November external audit.	Medium	N/A	N/A	N/A	Internal Audit is not performing this activity.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

The consulting type services internal audit provided during FY 2022 consisted of facilitating a project to prepare for the State Auditor's Office review of Single Audit repeat findings and prepare corrective action reports. Internal audit obtained financial aid, enrollment, and user access data and documentation. We then designed and created tests to identify errors for management to correct.

IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

TSU's Department of Internal Audit and Assurance Services underwent their first external Quality Assessment (EQA) in FY2022. The scope of this assessment included the following professional standards and frameworks:

- The Institute of Internal Auditors (IIA) International Professional Practices Framework (IIA Standards),
- The Generally Accepted Government Auditing Standards (GAGAS), and
- The Texas Internal Auditing Act (TIAA).

The external reviewers issued their results in June 2022 which concluded that TSU's Internal Audit function:

- Does not conform with the IIA Standards; does not conform with the IIA Code of Ethics.
- Does not pass in review of conformance with GAGAS.
- Does not conform with certain requirements of the Texas Internal Auditing Act requirements.

Conformance issues were provided to TSU's Audit Committee and Leadership.

TSU's Chief Audit Executive resigned when the EQA was wrapping up. The Acting Chief Audit Executive took corrective actions to address the non-conformance items that could be quickly remedied and is in the process of implementing an on-going Quality Assurance Improvement Program (QAIP) to address the remaining non-conformance areas identified.

Furthermore, TSU's Audit Committee and Board of Regents are actively involved in ensuring that the internal audit function remains an independent and objective function that complies with all applicable professional standards and frameworks.

V. FISCAL YEAR 2023 INTERNAL AUDIT PLAN

The Acting Chief Audit Executive developed the Fiscal Year 2023 Annual Internal Audit Plan based on audits not completed in FY2022 and determining functions that pose the highest risk to the university in the current environment. Due to timing of assuming the role and the end of the fiscal year, there was not adequate time to prepare and execute a comprehensive risk assessment to develop this audit plan.

Thirteen audits are planned to be performed in addition to performing monthly and quarterly reviews of activities related to Single Audit readiness. The approved FY2023 Annual Internal Audit Plan is shown below.

FY 2023 Annual Internal Audit Plan Activities

Audit Activity and Scope/Focus	Risk Ranking	Estimated Hours	Estimated Timing
Internal Audits			
Contract Administration - Continuation from FY2022 <ul style="list-style-type: none"> • Compliance with applicable SB20 requirements. • Procurement process (RFP/RFQ) adherence. • Conflict of interest verification. • Vendor and contractor setup process including background screening. • Contract execution controls. • Change management controls for contracts >\$10M or increase of >20 percent. • Contract Risk Assessment and Monitoring Processes. • Adherence to HUB purchasing requirements. 	High	300	September - October 2022
Human Resources Vital Records / Documents and Processes <ul style="list-style-type: none"> • Data Privacy • Data Identification • Data Classification / Labeling • Professional Certifications 	High	400	September - October 2022
Disbursements <ul style="list-style-type: none"> • Compliance with MAPPS. • Authorization. • Supporting documentation. • Invoice accuracy and PO alignment. • Recording accuracy. • Grant expenditure eligibility determination process. 	High	450	October - December 2022
Endowment Funds <ul style="list-style-type: none"> • Expenditure Compliance • Investment Compliance • Financial Reporting Accuracy & Completeness 	High	400	October - November 2022
Dual Employment Employees (SAO) <ul style="list-style-type: none"> • Identification of Dual Employees • Tracking of Dual Employees • Ensuring compliance of Conflict of Interest requirements of Dual Employees 	High	300	November - December 2022
Payroll <ul style="list-style-type: none"> • Accuracy • Overtime • Tax Reporting 	High	400	December 2022 - January 2023

Audit Activity and Scope/Focus	Risk Ranking	Estimated Hours	Estimated Timing
Internal Audits			
Monthly Reviews •Network Access Controls - Employees and Contractors	High	96	On-Going
Monthly Reviews •Enrollment Reporting •Cost of Attendance •Financial Aid Award •Return to Title IV	High	480	On-Going
Quarterly Reviews •Cash Management (Financial Aid Drawdowns) •Allowable Costs	High	288	On-Going
Enrollment Services •Admissions •Recruitment •Registrars Office	High	600	January - March 2023
Intercollegiate Athletics •NCAA Compliance	High	400	February - March 2023
Facilities Services •Construction Contracts •Maintenance Operations & Contracts	High	600	February - April 2023
College of Pharmacy and Health Sciences •Policy Compliance	High	400	March - May 2023
Grants Office •Grants Oversight and Administrative Operations •Grants Compliance	High	600	April - June 2023
Audit Activity and Scope/Focus	Risk Ranking	Estimated Hours	Estimated Timing
Statutory or Contract Required Audits			
Drug Free Schools and Communities Act Compliance •Required Written Notifications •Program Effectiveness •Sanction Enforcement Consistency		350	November - December 2022
Public Funds Investment Act Compliance •Investment Policy •Reporting Accuracy •Investment Compliance •Training Compliance •Reporting Compliance		160	Aug-23

Audit Activity and Scope/Focus	Risk Ranking	Estimated Hours	Estimated Timing
Administration			
Quality Assurance Improvement Program •Design Templates and Revamp Audit Processes. •Self Assessment and Reporting.	N/A	400	On-Going Self Assessment
Enterprise Risk Management Program •Completion and roll-out of the ERM Program	N/A	600	Re-evaluate risk and potentially
Communications •Audit Committee Meetings •Leadership Meetings	N/A	200	Re-evaluate risk and potentially
Audit Follow-Up			
Internal Audit Follow-Up	Medium	400	On-going
Texas Internal Audit Act Compliance			
Risk Assessment and FY2023 Annual Internal Audit Plan Development	Compliance	120	October 2022
Annual Internal Audit Report	Compliance	30	Oct-22
Risk Assessment and FY2024 Annual Internal Audit Plan Development	Compliance	120	Jun-23
Total Hours		8,094	
Total Staff Hours Available		9,848	
Hours Available for Unplanned Audits, Management Requests, and Investigations		1,754	
Proposed Co-Source Audits	Risk Ranking	Estimated Hours	Estimated Timing
Internal Audits			
Information Technology Security Assessment including Compliance with Texas Administrative Code 202.	High	450	October - December 2022
Information Technology Business Impact Assessment / Continuity of Operations	High	300	October - December 2022

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2022

The following represent external audit services that were procured by Texas Southern University or were ongoing in fiscal year 2022.

<i>Audit / Review</i>	<i>External Auditor</i>
FY2022 Financial Audit Services	FORVIS, LLP
Agreed Upon Procedures – Single Audit Repeat Findings	FORVIS, LLP
Earl Carl Institute for Social Policy Annual Financial Audit	John F. Coggin, CPA PLLC
KTSU FM Radio Annual Financial Audit for the Corporation for Public Broadcasting	Bruno & Tervalon
Internal Audit Services – Staff Augmentation	McConnell Jones
Independent Reviews	Weaver and Tidwell, LLP
External Quality Assurance	Weaver and Tidwell, LLP

VII. REPORTING SUSPECTED FRAUD AND ABUSE

Pursuant to the requirements of Texas Government Code, Section 321.022, the Department of Internal Audit and Assurance Services reports to the State Auditor's Office any action brought to its attention in which it had "reasonable cause to believe that money received from the state by the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred". This information was submitted to the State Auditor's Office website quarterly (if any matters were brought to our attention).

In compliance with Article IX, Section 17.05 and Article XII, Section 5 (c), the General Appropriations Act, Texas Southern University has posted information on how to report suspected fraud, waste and abuse through the University's Ethics and Compliance Hotline and/or to the State Auditor's Office ("SAO") Fraud Hotline on its website in two locations: (1) the Department of Internal Audit and Assurance Services webpage, and (2) the Office of Institutional Compliance webpage. Included on these webpages are TSU's and the SAO's fraud hotline numbers and a link to the SAO website for the purpose of requirements review and/or to report fraud, waste, or abuse.

Additionally, Fraud Awareness, Detection and Prevention Training is required as a part of the University's prescribed mandatory trainings for employees through the University's Online Employee Training Center, which also includes other mandatory training areas including (but not limited to): Ethics and Code of Conduct, Sexual Harassment, Title IX Compliance, and Diversity Training.

VIII. SIGNIFICANT INTERIM CHANGES

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 IIA Performance Standard 2020, the acting chief audit executive will communicate any significant changes of the audit plan to TSU's Audit Committee, the Board of Regents, and the President. Notification of significant changes to the Internal Audit Plan approved by the Audit Committee will be submitted to the State Auditor's Office (SAO).