



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

FY2023 ANNUAL INTERNAL AUDIT REPORT

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October 13, 2023

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) 2023 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 2023 Annual Internal Audit Report is due November 1, 2023.

Please contact Darlene Brown at 512.828.3218 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 2023 INTERNAL AUDIT PLAN STATUS

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Contract Administration - Continuation from FY2022	23-001	Final Report Pending Management Response	Contract Administration	Completed
	Human Resources Vital Records / Documents and Processes	23-002	Anticipated to be issued in November 2023	Human Resources Vital Records	Completed
	Disbursements	23-009	Final Report Pending Management Response	Disbursements	Completed
	Endowment Funds	23-003	September 1, 2023	Endowment Funds	Completed
	Dual Employment Employees	23-007	Final Report Pending Management Response	Dual Employment	Completed
	Payroll	23-006	October 11, 2023	Payroll Services	Completed
	Monthly Network Access reviews	Emails listing our results are provided in lieu of formal reports.			Completed
	Monthly Reviews <ul style="list-style-type: none"> Enrollment Reporting Cost of Attendance Financial Aid Award Return to Title IV 	Reports not issued. Discussions with management are held.			Completed
	Quarterly Reviews <ul style="list-style-type: none"> Cash Management (Financial Aid Drawdowns) Allowable Costs 				Not performed.
	Enrollment Services				Will be completed in FY 2025

#	Description	Report Number	Report Date	Report Title	Audit Status
	Intercollegiate Athletics - NCAA Compliance	23-005	Final Report Pending Management Response	NCAA Eligibility Certification	Completed
	Facilities Services				Will be completed in FY 2025
	College of Pharmacy and Health Sciences				Not Performed
	Grants Office				Postponed until FY2024
	Drug Free Schools and Communities Act Compliance				Postponed until FY2024
	Public Funds Investment Act Compliance	23-004	July 13, 2023	Compliance with Public Funds Investment Act	Completed
	Quality Assurance Improvement Program	The Quality Assurance Improvement Program is part of our service provider's operations. Their peer review report is included in this document.			
	Enterprise Risk Management Program				
	Follow-Up on Audit Findings				On-Going
	Risk Assessment and FY2024 Annual Internal Audit Plan Development				Completed
	Annual Internal Audit Report				Completed
	Information Technology Security Assessment including Compliance with Texas Administrative Code 202.	IT Security was included as part of an investigation. The report is confidential.			
	Information Technology Business Impact Assessment / Continuity of Operations				Not completed.

Deviations from FY2023 Annual Internal Audit Plan.

Internal audit performed a comprehensive review of Student Health Services operations at the request of Leadership. This review was not included in the approved audit plan and is summarized later in this section of the document. The level of effort to complete this review, combined with other audit activities and investigations led to us not being able to complete the following audits within the fiscal year and budget.

- Facilities Services (will be completed in FY 2025)
- Enrollment Services (will be completed in FY 2025)
- College of Pharmacy and Health Sciences
- Grants Office (will be completed in FY 2024)
- Drug Free Schools and Communities Act Compliance (will be completed in FY2024)

- Quarterly Reviews of Cash Management and Allowable Costs (will be completed in FY2024 as part of the Single Audit Findings Follow-Up audit)

Student Health Resources Report Summary

Internal audit performed an audit of Student Health Resources to assess management controls and processes in place that ensure TSU students are receiving services they are entitled to as part of the TSU student community and that the respective programs comply with applicable regulations and policies. The audit scope period was September 1, 2021 – January 31, 2023. The focus areas were:

1. Staffing and organization structure.
2. Customer service.
3. Operations.
4. Compliance.
5. Technology.

The Student Health Resources functions located at the Student Health Center include Student Health Services (SHS), University Counseling Center (UCC), and Student Accessibility Services Office (SASO). SHS and UCC fall under the Vice President of Enrollment and Student Success while SASO reports to the Provost. Students' health and well-being services are also provided by other departments and colleges at TSU. We noted that staffing levels and staff availability have resulted in delays in student appointments and referrals to outside sources.

Although there is a CARE Team that is a multi-disciplinary body of stakeholders from across the University responsible for receiving student concern(s)/ referrals and identifying appropriate strategies to address the respective situation, this team is inactive. Additionally, TSU established the Quality Enhancement Plan (QEP) and committee to ensure cohesive services are provided to students. Although the QEP committee is active, there is no university-wide coordination between who, how, and when student health and well-being services are planned and executed. The root cause for this is a lack of a unified vision for providing a holistic approach to student health and well-being services.

We rated internal controls as unsatisfactory and provided 40 recommendations for management to remediate the control environment.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal Audit did not provide consulting services to TSU during FY2023.

IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

Texas Southern University's Board of Regents outsourced their internal audit function in November 2022 through a competitive solicitation process. McConnell Jones, LLP (MJ) was selected to serve as the internal audit service provider.

MJ has been a member of the AICPA since 1987 and is subject to the AICPA's peer review process every three years. Our commitment to quality is underscored by the fact that, in our four most recent peer reviews, we have consistently received an unqualified opinion in external peer review reports on the quality of our accounting and auditing practice by the AICPA. After a thorough review of our procedures and work practices, which include reviews of our nonprofit, governmental, and commercial engagements, the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. We provide a copy of our most recent peer review letter below.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of **McConnell & Jones, LLP**, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2020, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **McConnell & Jones, LLP** has received a peer review rating of *pass*.

Turner, Stone & Company, L.L.P.

• Turner, Stone & Company, L.L.P.

Your Vision Our Focus

**Report on the Firm's System of Quality Control**

June 18, 2021

To the Partners of
McConnell & Jones, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **McConnell & Jones, LLP** (the Firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including a compliance audit under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

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V. FISCAL YEAR 2024 INTERNAL AUDIT PLAN

The Acting Chief Audit Executive developed the Fiscal Year 2024 Annual Internal Audit Plan based on a comprehensive risk assessment and discussion with TSU Leadership and audit committee. Internal audit will conduct eight (8) audits, perform a risk assessment, conduct prior audit finding follow-up activities, prepare the FY 2025 Annual Internal Audit Plan and prepare the FY 2024 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. Hours dedicated to the audit plan are estimated to require **2,661 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, scope, and estimated hours are summarized in the table below.

Fiscal Year 2024 Annual Internal Audit Plan

Audit and Scope	Total Hours
Revenue Streams and Controls (Non-Appropriations) <ul style="list-style-type: none"> ✓ Identification of Revenue Activities ✓ Monitoring Activities and Controls ✓ Receipt and Deposit Controls ✓ Recording Controls ✓ Reporting Accuracy 	280
Budget Processes <ul style="list-style-type: none"> ✓ Budget Calendar ✓ Development Process ✓ Approvals ✓ Monitoring and Reporting ✓ Adjustments ✓ Closeout ✓ Training 	274
Academic Advising Services <ul style="list-style-type: none"> ✓ Organization and Staffing ✓ Student to Advisor Ratios ✓ Office Hours and Scheduling ✓ Academic Advising Activity Tracking ✓ Academic Progress Monitoring Processes and Tools ✓ Student Satisfaction Surveys 	156
Grants Office <ul style="list-style-type: none"> ✓ Grant Application Preparation ✓ Grant Award Notices ✓ Grant Budgets and Expenditures Controls ✓ Grant Requirements Monitoring ✓ Grant Reporting ✓ Grant Activity Tracking ✓ Interface and Communications with Finance & Administration 	212
Student Fees <ul style="list-style-type: none"> ✓ Identification of Costs and Buildup of Fee Structures ✓ Recording & Tracking ✓ Reporting ✓ Usage ✓ Monitoring 	224
Single Audit Findings Follow Up <ul style="list-style-type: none"> ✓ Financial Aid ✓ Follow Up on SAO Audit Findings ✓ Follow Up on Prior Internal Audit Findings 	256
Drug Free Communities Act Compliance Audit	136

Audit and Scope		Total Hours
<ul style="list-style-type: none"> ✓ Required Illegal Use of Alcohol and Other Drugs Prevention Program Staffing and Activities ✓ Required Communications ✓ Information Capture ✓ Required Reporting 		
Benefits Proportionality Reporting Compliance and Accuracy		
<ul style="list-style-type: none"> ✓ Required Report Submission Accuracy and Timeliness 		76
Monthly Network Access Testing		171
Follow-Up on Prior Audit Findings		250
Communications		150
Investigations		100
Special Requests		240
Risk Assessment		80
Annual Audit Plan Development		40
Annual Audit Report		16
Total		2,661
Total Fees		\$500,000

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2023

The following represent external audit services that were procured by Texas Southern University or were ongoing in fiscal year 2023.

Audit / Review	External Auditor
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	McConnell Jones
Independent Reviews	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).