



**TEXAS
STATE**
UNIVERSITY
SAN MARCOS

Texas State University-San Marcos

Audit and Compliance

Audit Plan

Fiscal Year 2007

July 26, 2006

Texas State University-San Marcos is a member of the Texas State University System



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Executive Summary

The past year at Texas State University-San Marcos has been a proactive but challenging one for Audit and Compliance. Our small but highly qualified professional staff of four suddenly fell to two with the departure of two auditors in the fall. We were able to hire a Certified Information Systems Auditor (CISA) from Tulane in December who, unfortunately, suffered a major health setback and eventually returned to New Orleans. In February, we made an offer to an auditor from the Texas A&M System who declined when she was given a ten percent raise to stay in College Station. Following three more searches and three more declined offers, we were finally back at full staff on June 26 with two new hires. Although no one left due to salary alone, Dr. Trauth has placed additional funding on reserve to help ensure we are able to train and retain a competent staff. The now senior internal auditor took the CISA exam in June and is awaiting the results in August. As usual, we are encouraging our new hires to participate in continuing education and prepare for certifications. So, as coaches in athletics like to say, we are “rebuilding our team” in Fiscal Year 2007.

Enterprise risk management was again used to develop the FY 2007 audit plan requiring assessment of risk at every level of the organization. Having the University community so involved in the assessment of risk assures that our office uses its resources where they are most needed. The ethics and institutional compliance initiative received assistance with the President’s appointment of Dr. Debbie McAllister as Presidential Fellow. Dr. McAllister and the Director, Audit and Compliance, presented a proposed ethics program based on University values to the President’s Cabinet and co-presented two workshops on ethical leadership. The Compliance Committee had its initial meeting in May with twenty members representing all major compliance areas across campus. The members were asked to complete self-assessments regarding compliance issues and training, and our audit plan this year has incorporated compliance assurance to ensure appropriate controls are in place in these areas. The Audit and Compliance website continues to be updated to include ethics and institutional compliance information as well as current audit information. In addition, we have begun our migration to Teammate, electronic working papers, for our audits.

In conjunction with the emphasis on ethics, compliance and fraud, Audit and Compliance collaborated with Media Relations last year to develop posters and flyers for distribution to help make everyone on campus aware of our hotline as well as other information available on our website. These were initially distributed in May, 2005, as both direct mailings to all faculty and staff and posters around campus. In April, 2006, we added labels with the Ethicspoint hotline information to the remaining brochures and posters we held over from last year for distribution this fall.

The campus community seems to continue to see our office as a valuable resource for high risk audits as well as special investigations and reviews. The support of President Trauth, our President’s Cabinet, and the Board has been critical to that perception and has contributed to our accomplishments. We look forward to another year of providing the audit and compliance resources needed by our campus and the Texas State University System.

AUDITS FOR FISCAL YEAR 2007

Based on Enterprise Risk Management by Division

Academic Affairs

Student Publications (200 hours) A review of the Student Publications account to assess appropriateness of expenditures.

Academic Departmental Reviews (200 hours) A review of the operations in a sample of academic departments.

Athletics

The National Collegiate Athletic Association (NCAA) requires that every area of athletic departments be reviewed every four years. The items to be reviewed in FY 07 include eligibility and recruiting. (300 hours)

Academic Center (200 hours) A review to assess the effectiveness of tutoring athletes without providing inappropriate assistance.

Finance and Support Services

Environmental Hazards/Compliance (350 hours) A review of policies and procedures in place to ensure the safety of faculty, staff and students in areas such as lab safety, indoor air, radiation safety and hazardous waste and to ensure compliance with required federal and state laws. This audit has been started with a focus on controls and training.

Lack of Experience with SAP software (300 hours) An assessment of the current SAP level of knowledge among faculty and staff and identification of areas where more training is needed. Also, determine potential risks that may exist due to relative inexperience with the software.

Information Technology

Network Security (300 hours) A comprehensive assessment of the campus-wide network security.

Desk-top Software Licensing Procurement and Management (200 hours) This audit will be an extension and update of the licensing audit completed in FY 03 to ensure compliance with software licensing regulations. It was begun by a former auditor and will be completed by one of our new auditors.

Student Affairs

Residence Life (300 hours) A review of the new deposit and the University's relationship with the LLC.

Pre-College Trio Compliance Audit (300 hours) A review of the grants that support potential students from disadvantaged backgrounds.

University Advancement

University Donor Accounts (250 hours) A review of the accounting for donations and the distribution of those funds.

Special Projects (200 hours) An assessment of potential harm to university guests. This audit was begun by a former auditor and will be completed by one of our new auditors.

Required Audits

Athletics/NCAA Compliance See above comments.

Financial Aid (300 hours) An audit of student records and financial reporting practices to measure performance against the Department of Education and State regulations. The State Auditor's Office will be conducting an A-133 Audit at our campus in September, 2006.

Joint Admission Medical Program (JAMP) (150 hours) An audit of the grants funded by the JAMP Council to ensure compliance with grant requirements.

NOTE:

The duration of each audit is an estimate which may vary due to the scope and objectives of the audit determined during the initial planning process and unanticipated issues that may arise during the audit. Special projects or requests by management considered a priority may also alter the completion of the Audit Plan as scheduled.

ALLOCATION OF AUDIT RESOURCES

<u>Audits</u>	4 FTE's*
High Risk (Based on ERM)	3,100
Compliance Assurance	1,850
Special Projects	320
Required Audits (not included as high risk)	<u>450</u>
	5,720
<u>Administrative</u>	
Continuing Education	200
Leave (vacation, sick leave, holidays)	1,200
Other (non-audit meetings, reports, etc.)	<u>1,200</u>
Subtotal	<u>2,600</u>
TOTAL HOURS	8,320

*Based on full time equivalent professional staff

RISK ASSESSMENT PROCESS

Enterprise risk management (ERM) was utilized as the basis for our audit plan for the first time for FY 2006 and continues into FY 2007. This replaces the prior approach of having Audit and Compliance develop a list of auditable units to be ranked by the President, Provost, and all vice presidents and deans. There were at least three major flaws with the prior process:

- Audit and Compliance does not possess the comprehensive knowledge about every risk at the university as do the individuals in operational positions.
- Management from every college and division ranked the risk for their own areas of responsibility as well as all other colleges/divisions potentially allowing *perceived risk* to determine the audit plan rather than *actual risk*.
- Due to the composite nature of the ranking, we sometimes encountered difficulty in determining why a particular area or process was considered high risk, thus potentially not maximizing audit resources.

With ERM, management within each division or college is responsible for assessing risk based on input from a broad base of their employees. The long range plan presented in prior years was based on the ranking risk assessment methodology that in essence resulted in a new long range plan each year. Now that ERM has become the primary process for risk assessment and the University embraces this approach, risk should be continuously monitored by management and the audit plan revised to reflect variations in risk and mitigating controls thus negating the need for a long range plan other than for those audits required on a cyclical basis. In addition, hours have been allocated for compliance assurance as part of our institutional compliance program.

More details about enterprise risk management, including the presentation made in April, 2005, by David Crawford and the presentations that have been made to President's Cabinet and Student Affairs by Audit and Compliance, can be found on our website at www.txsstate.edu/audit_compliance.