



TEXAS WOMAN'S
UNIVERSITY™

ANNUAL INTERNAL AUDIT REPORT

FOR FISCAL YEAR ENDED
AUGUST 31, 2020

OFFICE OF
Audit Services

P.O. Box 425587,
Denton, TX 76204

940-898-3260
<https://twu.edu/audit-services/>



October 30, 2020

Carine M. Feyten, Ph.D., Chancellor and President,
Members of the Board of Regents

We are pleased to submit the annual report of the Office of Audit Services for the fiscal year ended August 31, 2020. This report is required by the Texas Internal Auditing Act and provides information on the assurance services, consulting services, and other activities of the internal audit function.

If you have any questions about the contents of this report, please do not hesitate to contact me.

Shannon South, CPA
Director of Audit Services

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PURPOSE

The purpose of this annual 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.

The Texas Internal Auditing Act, Texas Government Code, Chapter 2102, requires that an annual report on internal audit activity be filed by November 1st of each year and submitted to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives. The SAO prescribes the form and content of the report.

The annual report was prepared using the guidelines provided by the Texas State Auditor's Office. Additional information regarding the Texas Woman's University (TWU) Office of Audit Services can be found at the following website: www.twu.edu/audit-services.

I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015

Texas Government Code, Section 2012.015 requires that the internal audit plan and the internal audit annual report be posted on the institution's website. Accordingly, the Office of Audit Services will post the FY 2021 Audit Plan on the departmental website at www.twu.edu/audit-services following approval of the plan by the TWU Board of Regents and will post the FY 2020 Annual Internal Audit Report on the same site upon the report's issuance.

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II. INTERNAL AUDIT PLAN FOR FY 2020

Report Number	Report Title	Issued Date/Status
Risk-Based Audits		
20-03	HIPAA Compliance	August 21, 2020
20-01	Advancement	September 30, 2020
	Construction	(a)
20-05	Research and Sponsored Projects	(b)
20-08	Network Firewall	(b)
	Student Receivable	(c)
	Financial Aid – Return to Title IV	(d)
	Institute for Women’s Leadership	(e)
	Marketing	(e)
Required Audits		
20-02	Investments	December 20, 2019
20-04	Nursing Shortage Reduction Program	January 31, 2020
20-06	Benefits Proportionality	(f) August 31, 2020
20-07	TEC 51.9337 Compliance	August 31, 2020
(a) In progress, performed by external entity (b) In progress, carry-forward to FY 2021 Audit Plan (c) Proposed carry-forward to FY 2021 Audit Plan (d) Cancelled by Finance and Audit Committee (e) Proposed deferral by Finance and Audit Committee (f) Added by Finance and Audit Committee		

Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

A compliance audit of Benefits Proportionality Funding (Report No. 20-06) was completed on August 31, 2020. The audit resulted in no issues or significant recommendations. This was required by Rider 8 of the General Appropriations Act (86th Legislature).

TEC Section 51.9337(h)

An assessment regarding purchasing required by the Texas Education Code, Section 51.9337(h), was conducted, and a report (Report No. 20-07) was issued on August 31, 2020. Based on the results of the review, the University has not fully implemented the recommendations noted in the prior audit (Report No. 19-08); therefore, the University was not in full compliance with the requirements.

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II. STATUS OF AUDIT RECOMMENDATIONS

Texas Government Code, Section 2102.015, requires entities to include the following on their website:

- A “detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.”
- A “summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report.”

To address these requirements, an entity can summarize fiscal year 2020 internal audit recommendations and report on its action and progress toward implementing those recommendations. The following represents the status of implementation of the FY 2020 audit recommendations, as well as any outstanding prior audit recommendations from previous fiscal years.

Report Number	Report Date	Title	Recommendation	Status SAO	Responsible Area
16-02	March 29, 2016	Budget Office	Develop a Process to Identify Idle Accounts and Disable their Object Codes	Implemented	Finance & Administration
18-03	May 14, 2018	TAC 202 Audit	Implement Separation of Duties	Follow-up to be performed as part of ongoing audit	Information Technology Finance & Administration
18-04	September 28, 2018	Scholarships	Develop an Institutional Policy and Procedures Manual	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Implement Segregation of Duties and Consider Cross Training	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Enhance Scholarship Budget Process	Implemented	Student Life Finance & Administration
18-04	September 28, 2018	Scholarships	Ensure Full Compliance with Requirements of the Texas Education Code	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Implement Monitoring of Awards	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Implement a Reconciliation Process	Implemented	Student Life Finance & Administration
18-04	September 28, 2018	Scholarships	Evidence Committee Involvement and Update Records Retention Requirements	Incomplete/Ongoing	Student Life
18-04	September 28, 2018	Scholarships	Expand Utilization of the Pioneer Scholarship System	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Implement a Periodic Review Process	Implemented	Student Life
18-04	September 28, 2018	Scholarships	Discontinue Reporting External Scholarship Funds as Institutional Expenditures	Implemented	Finance & Administration
19-03	January 15, 2019	Emergency Operations Plan; Safety and Security Audit	Develop Annexes To Support The Base Multi-hazard Emergency Operations Plan (MEOP)	Incomplete/Ongoing	Finance & Administration
19-03	January 15, 2019	Emergency Operations Plan; Safety and Security Audit	Detail Mandatory Drills Within The MEOP And Ensure Drills Are Carried Out Consistently	Implemented	Finance & Administration
19-01	January 29, 2019	Swipe Card System Audit	Maintain Documentation to Support the Student ID Fee Rate	Closed	Finance & Administration Student Life
19-01	January 29, 2019	Swipe Card System Audit	Consider Opportunities for Improved Fiscal Management	Incomplete/Ongoing	Student Life

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II. STATUS OF AUDIT RECOMMENDATIONS

Report Number	Report Date	Title	Recommendation	Status SAO	Responsible Area
19-02	May 16, 2019	Property and Surplus Audit	Improve Segregation of Duties	Implemented	Finance & Administration
19-02	May 16, 2019	Property and Surplus Audit	Strengthen the Property Assignment Process	Implemented	Finance & Administration
19-02	May 16, 2019	Property and Surplus Audit	Update Policy and Procedures	Implemented	Finance & Administration
19-05	May 16, 2019	University Housing Audit	Ensure Critical Housing Maintenance is Addressed in a Timely Manner	Implemented	Student Life
19-05	May 16, 2019	University Housing Audit	Enhance University Housing Assignment Processes	Implemented	Student Life
19-05	May 16, 2019	University Housing Audit	Ensure Housing Rate Increases are Approved in Line with Policy	Implemented	Student Life
19-05	May 16, 2019	University Housing Audit	Enhance Access Control Procedures	Implemented	Student Life
19-07	August 1, 2019	Executive Travel and Entertainment	Enhance University Policies and Guidelines	Implemented	Finance & Administration
19-07	August 1, 2019	Executive Travel and Entertainment	Improve Compliance with Existing Guidelines	Incomplete/Ongoing	Finance & Administration
19-07	August 1, 2019	Executive Travel and Entertainment	Strengthen Expenditure Approval Process	Incomplete/Ongoing	Finance & Administration
19-09	September 4, 2019	Vulnerability Management Process Audit	Enhance Vulnerability Scanning and Remediation Process	Incomplete/Ongoing	Information Technology
19-09	September 4, 2019	Vulnerability Management Process Audit	Develop Complete Inventory with Designated Owners	Implemented	Information Technology
19-09	September 4, 2019	Vulnerability Management Process Audit	Strengthen Policies and Procedures	Incomplete/Ongoing	Information Technology
19-10	October 23, 2019	Tuition	Implement Reconciliation Process	Closed	Finance & Administration
19-10	October 23, 2019	Tuition	Enhance Tuition Billing Processes	Incomplete/Ongoing	Finance & Administration Academic Affairs
19-10	October 23, 2019	Tuition	Maintain Documentation to Support Tuition Exemptions	Implemented	Academic Affairs
19-10	October 23, 2019	Tuition	Improve Compliance with Residency Requirements	Implemented	Academic Affairs
20-02	December 20, 2019	Investments Audit	Enhance Compliance with Section 2256.005 and 2256.007	Implemented	Finance & Administration
20-02	December 20, 2019	Investments Audit	Update Investment Policy Information Related to Diversification	Incomplete/Ongoing	Finance & Administration
20-02	December 20, 2019	Investments Audit	Ensure Revised Reports are Resubmitted to Required Agencies	Implemented	Finance & Administration
20-02	December 20, 2019	Investments Audit	Implement Monitoring Process to Analyze Performance of Investments	Implemented	Finance & Administration
20-03	August 21, 2020	HIPAA Compliance	Enhance Compliance With HIPAA Requirements	Incomplete/Ongoing	General Counsel
20-07	August 31, 2020	TEC 51.9337	Enhance Compliance with TEC 51.9337 Requirements	Incomplete/Ongoing	General Counsel Finance & Administration
20-01	September 30, 2020	Advancement	Enhance Oversight of Expenditures	Incomplete/Ongoing	Advancement Finance & Administration
20-01	September 30, 2020	Advancement	Enhance Accuracy of Reporting	Incomplete/Ongoing	Advancement Finance & Administration
20-01	September 30, 2020	Advancement	Strengthen Governance Framework	Incomplete/Ongoing	Advancement
20-01	September 30, 2020	Advancement	Enhance User Access to Blackbaud Applications	Incomplete/Ongoing	Advancement
20-01	September 30, 2020	Advancement	Develop Comprehensive Policy and Procedure Manual	Incomplete/Ongoing	Advancement

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III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

No consulting services were completed in FY 2020, as defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The Office of Audit Services did not perform any non-audit services, as defined in Government Auditing Standards during FY 2020.

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IV. EXTERNAL QUALITY ASSURANCE REVIEW

In accordance with IIA Standards and the Texas Internal Auditing Act, an external quality assurance review was completed on March 8, 2019.

Dr. Nolan E. Perez, MD, Board of Regents Chair
Mrs. Mary Wilson, Board of Regents Finance and Audit Committee Chair
Dr. Carine M. Feyton, Ph.D., Chancellor and President
Texas Woman's University
P.O. Box 425587
Denton, Texas 76204

Dear Dr. Perez, Mrs. Wilson, and Dr. Feyton:

We were pleased to assist Texas Woman's University Office of Audit Services with the Quality Assurance Review. We conducted an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by Ali Subhani, Director of Audit Services, on September 28, 2018.

The primary objective of our engagement was to offer an independent opinion on whether the program of internal auditing of Texas Woman's University Office of Audit Services meets the requirements expected of internal audit activities at institutions of higher education supported by the State of Texas, as asserted in the Self-Assessment Report previously mentioned. Those requirements are set forth by the Texas Internal Auditing Act (Texas Government Code Chapter 2102); the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*; and the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*. For purposes of this review, we collectively refer to these as *the Standards*.

Gina Oglesbee, Chief Audit Executive for Stephen F. Austin State University, and Leigh Kidwell, Director of Internal Audits for Midwestern State University, performed the validation. We attest that we are independent from all internal audit activities at Texas Woman's University (TWU) and have the requisite skills and knowledge to perform the validation.

We conducted the validation using the State Agency Internal Audit Forum Peer Review Guidelines and the Master Peer Review Program as guidance. The review included internal audit activities for the period September 1, 2013 to December 1, 2017. Onsite fieldwork was performed November 13-15, 2018 and February 19, 2019. We reviewed the Quality Assurance Review Self-Assessment Report and supporting documentation, along with a sample of audit workpapers. We performed interviews with the TWU Board of Regents Finance and Audit Committee Chair; Chancellor and President; General Counsel; Vice

IV. EXTERNAL QUALITY ASSURANCE REVIEW



President of Finance and Administration; Chief Information Officer; Director of Compliance; Senior Auditor; Senior Data Analytics Auditor; and Director of Audit Services.

The rating system used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

- Generally Conforms means that the Office of Audit Services has policies, procedures, and a charter that were judged to be in accordance with applicable standards; however, opportunities for improvement may exist.
- Partially Conforms means deficiencies, while they might impair, did not prohibit the Office of Audit Services from carrying out its responsibilities.
- Does not conform means deficiencies in practice were found that were considered so significant as to impair or prohibit the Office of Audit Services in carrying out its responsibilities.

Based on our procedures, we agree with the overall conclusion that the Office of Audit Services “Generally Conforms” to the *Standards*, with specific conformance noted as follows:

Standard Type and Description	Opinion
<i>IIA Attribute Standards</i>	
1000 – Purpose, Authority, and Responsibility	Generally Conforms
1100 – Independence and Objectivity	Generally Conforms
1200 – Proficiency and Due Professional Care	Generally Conforms
1300 – Quality Assurance and Improvement Program	Partially Conforms (1)
<i>IIA Performance Standards</i>	
2000 – Managing the Internal Audit Activity	Generally Conforms
2100 – Nature of Work	Generally Conforms
2200 – Engagement Planning	Generally Conforms
2300 – Performing the Engagement	Generally Conforms
2400 – Communicating Results	Generally Conforms
2500 – Monitoring Progress	Partially Conforms (2)
2600 – Communicating the Acceptance of Risk	Generally Conforms
<i>IIA Code of Ethics</i>	Generally Conforms
<i>Generally Accepted Government Auditing Standards</i>	Generally Conforms
<i>Texas Internal Auditing Act</i>	Generally Conforms

Explanations for Opinion on Conformance:

Office of Audit Services

IV. EXTERNAL QUALITY ASSURANCE REVIEW



- (1) Quality Assurance and Improvement Program – For the period reviewed, annual internal assessments were not documented. The Director of Audit Services has subsequently implemented a quality assurance program.
- (2) Monitoring Progress – The system for monitoring disposition of results did not ensure implementation of audit recommendations. The Director of Audit Services has subsequently implemented a new monitoring system.

We believe the goals set by the Office of Audit Services as stated in the Quality Assurance Review Self-Assessment Report evidence the commitment to continuous improvement by the Director of Audit Services. Achievement of the goals will enhance compliance and improve processes.

We appreciate the cooperation and assistance provided to us throughout the course of this validation by the Board of Regents, Chancellor and President, Director of Audit Services, and TWU staff.

Sincerely,

Gina Oglesbee, CPA, CFE
Chief Audit Executive
Stephen F. Austin State University

Leigh Kidwell, CPA, CIA, CGMA
Director of Internal Audits
Midwestern University

cc:

Regent Nancy Painter Paup
Regent George R. Schrader
Regent Mary Wilson
Regent Teresa Doggett
Regent Janelle Shepard
Regent Kathleen Wu
Regent Bernadette Coleman
Regent Jill Jester
Student Regent Emily Roper
Audit Director Ali Subhani

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V. INTERNAL AUDIT PLAN FOR FY 2021

The FY 2021 Internal Audit Plan is scheduled to be approved by the TWU Board of Regents on November 13, 2020. The FY 2021 Internal Audit Plan will be submitted to the State Auditor's Office and posted on the TWU website following Board approval. Quarterly updates provided to the committee can be obtained by reviewing Quarterly Status Reports of the Office of Audit Services on the meeting agenda. The FY 2021 audit plan was prepared using risk assessment techniques that identify the individual audits to be conducted during the year. The risk factors utilized by the department during the risk assessment process included:

- Resources at Risk
- Reputational Impact
- Years Since Last Audit
- Organizational Changes
- Regulatory Compliance
- Likelihood

There are no audits anticipated to be on the FY 2021 Audit Plan that address expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act. An audit that addresses benefits proportionality will be considered for inclusion on the FY 2021 audit plan. There is an audit expected to be included on the FY 2021 audit plan that addresses the specific aspects of contract management related to TEC §51.9337.

Texas Administrative Code (TAC) 202 is audited periodically as required by statute. Administration has agreed to a three year audit cycle of TAC 202 as approved by the agency head and in compliance with TAC 202.71(c). TAC 202 was last audited during FY 2018 and is expected to be included on the FY 2021 audit plan.

Risk areas ranked as "high" but not scheduled to be audited during fiscal year 2021 are:

- Auxiliary Functions
- Athletics
- Active Directory
- Bonds
- Budgets
- Cash & Cash Receipts
- Clery Act
- Disaster Recovery Preparedness
- Enterprise Applications (Oracle, Colleague, Sharepoint, Onbase)
- Identity Management
- Minors on Campus (TEC 51.976)
- PCI (Payment Card Industry)
- Purchasing Cards
- Risk Management
- Student Health Services
- Title IX

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VI. EXTERNAL AUDIT SERVICES PROCURED IN FY 2020

The following external audit services, including financial and performance audits and attestation engagements, reviews, and agreed-upon procedures, were procured during FY 2020.

External Auditor	Services Provided
Howe & Springer, P.C.	NCAA Agreed-upon Procedures
CBIZ Risk & Advisory Services, LLC	Construction Audit
Deloitte & Touche, LLP	Internal Audit Co-Sourcing

VII. REPORTING SUSPECTED FRAUD AND ABUSE

Section 7.09, Page IX-37, the General Appropriations Act (86th Legislature)

Actions taken to implement the requirements of Section 7.09, page IX-37, Fraud Reporting, General Appropriations Act (86th Legislature Conference Committee Report) are noted below:

- TWU has placed a link on the TWU homepage that states “Report Fraud, Waste, or Abuse in Texas”. The link on the TWU homepage takes a user directly to the State Auditor’s Office webpage for reporting fraud, waste, and abuse.
- TWU has also incorporated into its “Fraud and Fraudulent Activities” policy information on how to report suspected fraud involving state funds to the State Auditor’s Office. This information includes a link to the State Auditor’s Office website.

Texas Government Code §321.022 Coordination of Investigations

- a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.
- b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

If a situation were to occur where this code is applicable, Texas Woman’s University would report such activities to the State Auditor’s Office through their webpage for reporting fraud, waste, and abuse.

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