



TEXAS WOMAN'S
UNIVERSITY™

A large, light-colored stone statue of a woman in profile, facing right. She is wearing a red cape that flows behind her. The statue is set against a background of a red sky with white clouds and green trees. The text 'ANNUAL INTERNAL AUDIT REPORT' is overlaid on the right side of the image.

ANNUAL INTERNAL AUDIT REPORT

FOR FISCAL YEAR ENDED
AUGUST 31, 2021

OFFICE OF
Audit Services

P.O. Box 425587,
Denton, TX 76204

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



October 29, 2021

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, 2021. 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

Report Distribution:

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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, the internal audit annual report and other audit information be posted on the institution's website. Accordingly, the Office of Audit Services has posted the approved FY 2022 Audit Plan on the departmental website at www.twu.edu/audit-services and will post the FY 2021 Annual Internal Audit Report on the same site upon the report's issuance. This report includes project results, recommendations and the status of managements' actions to mitigate risks.

II. INTERNAL AUDIT PLAN FOR FY 2021 AND SUMMARY OF RESULTS

Report Number	Report Title	Issued Date/Status
20-05	Research and Sponsored Projects	January 13, 2021
20-07	Construction	July 8, 2021
20-08	Network Firewall	April 29, 2021
21-01	Investments	December 11, 2020
21-02	CARES Act Compliance	April 6, 2021
21-03	TAC 202 Compliance	July 8, 2021
21-04	Student Receivable	October 1, 2021
21-05	TEC 51.9337 Compliance	August 18, 2021

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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. 21-05) was issued on August 18, 2021. The audit resulted in no issues or significant recommendations.

Audit results are issued in separate audit reports that are submitted during the year at the conclusion of each engagement. 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.”

The following shows the FY 2021 audit recommendations, management’s action plans and the status of management’s action plans, as well as any prior audit recommendations that were outstanding from previous fiscal years.

Report Title and Number	Report Date	Recommendation	Management Action	Status
TAC 202 18-03	May 14, 2018	Implement Separation of Duties	Responsible data-owners will create a separation of duties matrix. Privileges will be reviewed and re-aligned.	Implemented
Scholarships 18-04	September 28, 2018	Evidence Committee Involvement and Update Records Retention Requirements	Management will develop a university policy and procedure which governs records retention and documentation requirements. Management will convene and train a scholarship committee that reviews all scholarships awarded to students.	Implemented
Emergency Operations Plan; Safety and Security 19-03	January 15, 2019	Develop Annexes To Support The Base Multi-hazard Emergency Operations Plan (MEOP)	Management is working to develop annexes that are in-progress.	Follow-up to be performed as part of ongoing audit
Swipe Card System 19-01	January 29, 2019	Consider Opportunities for Improved Fiscal Management	Management will limit key issuance in areas with card infrastructure and will minimize licensing costs when feasible. Movement from the existing application to a new platform and elimination of certain machines will reduce duplication and costs.	Implemented
Executive Travel and Entertainment 19-07	August 1, 2019	Improve Compliance with Existing Guidelines	Management will enforce the revised regulations and guidelines approved by leadership. Management is evaluating options to automate the current manual process.	Implemented
Executive Travel and Entertainment 19-07	August 1, 2019	Strengthen Expenditure Approval Process	Management is implementing an automated system that will incorporate revised regulations and guidelines as well as incorporate an approval hierarchy.	Implemented
Vulnerability Management Process 19-09	September 4, 2019	The report was issued as confidential and is not subject to public disclosure requirements.	The report was issued as confidential and is not subject to public disclosure requirements.	Implemented
Tuition 19-10	October 23, 2019	Enhance Tuition Billing Processes	Management identified an alternative method of processing withdrawals and drops without backdating. Management also created new reason codes to be utilized for enrollment changes.	Implemented

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Report Title and Number	Report Date	Recommendation	Management Action	Status
Investments 20-02	December 20, 2019	Update Investment Policy Information Related to Diversification	Management will update the investment policy to address the diversification table as it relates to interest-bearing money market accounts.	Follow-up to be performed as part of ongoing audit
HIPAA Compliance 20-03	August 21, 2020	The report was issued as confidential and is not subject to public disclosure requirements.	The report was issued as confidential and is not subject to public disclosure requirements.	Implemented
TEC 51.9337 Compliance 20-07	August 31, 2020	Enhance Compliance with TEC 51.9337 Requirements	Management will update the Code of Ethics and training programs in compliance with Texas Education Code Sec. 51.9337. Management will publish the updated Purchasing Accountability and Risk Analysis and Contract Handbook.	Implemented
Advancement 20-01	September 30, 2020	Enhance Oversight of Expenditures	Management will update the discretionary gift account guidelines website to ensure spending restrictions are consistent with best practices and are easily accessible. Gift restrictions will be accessible through software systems if feasible. Management will provide expenditure reports to the campus departments for monitoring gift accounts and accumulation of available balances. Management will evaluate if there is a need to develop a process to reinvest unspent funds back to the TWU Foundation.	Implemented
Advancement 20-01	September 30, 2020	Enhance Accuracy of Reporting	Management will develop a reconciliation to ensure all applicable funds are transferred accurately and timely, and that new accounts are properly classified. Management will ensure that TWU Foundation funds paid to the University for administrative services are not recorded as gift revenue.	Implemented
Advancement 20-01	September 30, 2020	Strengthen Governance Framework	Management will present an updated MOU to the TWU Foundation Board of Directors and the TWU Board of Regents for their consideration of approval.	Implemented
Advancement 20-01	September 30, 2020	Enhance User Access to Blackbaud Applications	Management enhanced user access within Blackbaud applications to ensure employees' access is aligned with each individuals' duties.	Implemented
Advancement 20-01	September 30, 2020	Develop Comprehensive Policy and Procedure Manual	The OUA will develop and implement a comprehensive policy and procedure manual to include gift acceptance, stewardship, and gift accounting procedures.	Implemented
Research and Sponsored Projects 20-05	January 13, 2021	Enhance Payment Processes	Management will update procedures to address timely follow-up on invoices, including escalation procedures and monitoring unpaid invoices. Management will educate campus departments on providing all applicable information and documentation to ensure timely processing.	Implemented
Research and Sponsored Projects 20-05	January 13, 2021	Enhance Training Documentation	Management will create a training syllabus template. Management ORSP will create a tracking system to identify personnel who should be trained and the schedule for this refresher information.	Implemented
Research and Sponsored Projects 20-05	January 13, 2021	Enhance Financial Reviews	Management will develop a procedure that outlines requirements for PIs to review their detailed expense reports.	Incomplete/Ongoing
CARES Act Compliance 21-02	April 6, 2021	Enhance Monitoring of Eligibility	Management developed procedures for reviewing eligibility criteria prior to awarding grants to students. Management will remove awards as applicable and utilize the funds for allowable purposes.	Implemented
CARES Act Compliance 21-02	April 6, 2021	Enhance Reporting – Student Portion	A calendar and reminder system of reporting deadlines was created. Data on the website will be reconciled to the general ledger, and documentation will be retained.	Implemented
CARES Act Compliance 21-02	April 6, 2021	Enhance Reporting – Institutional Portion	Management will amend Quarterly Budget and Expenditure reports and develop a calendar of reporting deadlines.	Implemented
CARES Act Compliance 21-02	April 6, 2021	Revise Use of Funds – MSI	TWU maintains a commitment to put support directly with students and will allocate the funds to student needs.	Implemented
CARES Act Compliance 21-02	April 6, 2021	Revise Recording of Expenses	Management will reclassify the expense activity within the general ledger and create new accounts for financial reporting purposes.	Implemented
Network Firewall 20-08	April 29, 2021	The report was issued as confidential and is not subject to public disclosure requirements.	The report was issued as confidential and is not subject to public disclosure requirements.	Incomplete/Ongoing
TAC 202 Compliance 21-03	July 8, 2021	The report was issued as confidential and is not subject to public disclosure requirements.	The report was issued as confidential and is not subject to public disclosure requirements.	Incomplete/Ongoing
Student Receivables 21-04	October 1, 2021	Enhance Award Code Process	Management will develop procedures to help facilitate updating payment plans in a timely manner when new award codes are created.	Implemented
Student Receivables 21-04	October 1, 2021	Formalize Existing Reconciliation Process Between Colleague and Oracle	Management will update current reconciliation documentation to include frequency of the reconciliation, record retention, and steps to perform the reconciliation.	Incomplete/Ongoing

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III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

No consulting services were completed in FY 2021, 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 2021.

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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 August 27, 2021.



August 27, 2021

TO: Ms. Kathleen Wu, Board of Regents Chair and Presiding Officer
 Ms. Stacie D. McDavid, Board of Regents Finance and Audit Committee Chair, Vice Chair and Assistant Presiding Officer
 Dr. Carine M. Feyten, Ph.D., Chancellor and President

Texas Woman's University
 P.O. Box 425587
 Denton, TX 76204

Ms. Wu, Ms. McDavid and Dr. Feyten:

We have completed the quality assurance review (QAR) of the internal audit function at Texas Woman's University (TWU) which is required by the Texas Internal Auditing Act, the Institute of Internal Auditor's (IIA) International Professional Practice Framework (IPPF), and the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS). For the purposes of this review, we collectively refer to these as the Standards.

We conducted an independent validation of the assertions and conclusions made in the QAR Self-Assessment Report issued by Ms. Shannon South, Director of Audit Services, on January 28, 2021. 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 December 1, 2017 through June 30, 2020. We reviewed the QAR Self-Assessment Report, reviewed supporting documentation, and interviewed audit staff, TWU leadership, and TWU Board of Regents representatives.

The rating system used for expressing an opinion for this review provides a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by Ms. South, we agree with the overall conclusion that the internal audit function "Generally Conforms" with the Standards, with specific conformance noted in the following chart.

IV. EXTERNAL QUALITY ASSURANCE REVIEW

Standard Type and Description	Opinion
<i>Texas Internal Auditing Act</i>	Generally Conforms
<i>Generally Accepted Government Auditing Standards</i>	Generally Conforms
<i>IIA's Code of Ethics</i>	Generally Conforms
IPPF's Attribute Standards	
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
IPPF's Performance Standards	
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 the Results	Generally Conforms
2500 – Monitoring Progress	Generally Conforms
2600 – Communicating the Acceptance of Risks	Generally Conforms

We agree with the goals set by the Office of Audit Services as stated in the QAR Self-Assessment Report.

In addition, the following are recommendations for you and the Office of Audit Services' consideration:

- 1) Perform an annual Quality Assurance and Improvement review. Due to the recent changes in audit leadership, this was not consistently performed.
- 2) Continue strategic efforts to maintaining audit department director and staff consistency. Perform an annual review of audit department staffing (e.g. Compensation, staffing levels, staff certification and experience requirements and organization should be reviewed annually for entire team by Director of Audit Services with a summary provided to the Finance & Audit Committee. Director of Audit Services compensation package should be reviewed by Human Resources on a regular basis (1-3 years).
- 3) Provide formal 1:1 Finance & Audit Committee training for all new members related to their internal audit responsibilities.
- 4) Continue developing audit department strategic readiness for the shift to a System environment.
- 5) Consider adding the Director of Audit Services to the Cabinet.
- 6) Consider elevating the Director of Audit Services position to Chief Audit Executive.

We appreciate the assistance provided to us during this review by the Board of Regents, the Chancellor and President, TWU leadership, and the Office of Audit Services.

Sincerely,



David Price, CPA, CIA
 Chief Audit Executive
 The University of Texas at Arlington



Justin McAninch, MBA, CIA, CFE
 Audit Manager
 The University of Texas Health Science Center at Tyler

V. INTERNAL AUDIT PLAN FOR FY 2022

The FY 2022 Internal Audit Plan was approved by the TWU Board of Regents on August 13, 2021. The FY 2022 Internal Audit Plan was submitted to the State Auditor's Office and posted on the TWU website. Quarterly updates provided to the committee can be obtained by reviewing Reports of the Office of Audit Services on the meeting agenda. The FY 2022 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
- Regulatory Compliance
- Years Since Last Audit
- Organizational Changes
- Complexity

There are no audits on the FY 2022 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 is included on the FY 2022 audit plan. An audit is included on the FY 2022 audit plan that addresses the specific aspects of contract management related to TEC §51.9337.

Texas Administrative Code (TAC) 202 is audited biennially as required by statute. TAC 202 was last audited during FY 2021.

Risk areas ranked as high but not scheduled to be audited during fiscal year 2022 include information technology processes not assessed in TAC 202 or other related audits, and specific compliance areas and requirements.

After consideration of estimated time for holidays and leave, the Fiscal Year 2022 audit plan budget was based on 5,280 available staff hours for 3 internal audit professionals. Of this time, approximately 2,900 hours will be dedicated to performing risk-based and required audits, 400 hours is needed for follow-up on prior audits, 300 hours are set aside for investigations and unscheduled requests, 340 hours are utilized for staff education and development, and 1,340 hours are allocated for administrative and other value-added work, including the annual risk assessment, institutional committee service, service to the profession, and department development.

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FY 2022 Audit Plan	
Risk-Based and Required Audits	
Information Technology Change Management	
CARES Act Compliance	
College of Business	
Financial Aid – outsourced	
Benefits Proportionality	
Investments	
Texas Education Code 51.9337 Compliance	
Safety and Security	
Facilities	
External Agencies Audit Assistance	
Audit Follow-Up	
Quarters 1, 2, 3, and 4	
Audit Reserve	
Reserve for Unanticipated Audits, Investigations, Special Requests	
Other Department Activities	
Annual Internal Audit Report	
Annual Risk Assessment and Audit Plan	
Committee Preparation and Participation	
Internal Quality Assurance and Improvement Program	
Project Status Meetings	
TeamMate, data analytics, development, maintenance and other technical support	
Management and administrative duties of IA department	
Professional Organization and Association Participation	
Continuing Professional Education and Training	

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VI. EXTERNAL AUDIT SERVICES PROCURED IN FY 2021

The following external audit services, including financial and performance audits and attestation engagements, reviews, and agreed-upon procedures, were procured during FY 2021.

External Auditor	Services Provided
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)

Section 7.09, Page IX-38, the General Appropriations Act (87th Legislature)

Actions taken to implement the fraud reporting requirements of Section 7.09, page IX-37, the General Appropriations Act (86th Legislature), and Section 7.09, page IX-38, the General Appropriations Act (87th Legislature) are noted below:

- TWU has placed a link on the TWU homepage that states “Report Fraud, Waste, or Abuse”. 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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