THE TEXAS STATE UNIVERSITY SYSTEM

Office of Internal Audit

Audit and Compliance Plan
Fiscal Year 2027

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INTRODUCTION AND PURPOSE

The *Fiscal Year 2027 Audit and Compliance Plan* ("the Plan") documents functional areas the Office of Internal Audit intends to devote resources to during fiscal year 2027. The Plan satisfies statutory responsibilities outlined in Section 2102.008 of the Texas Government Code, The Texas State University System *Rules and Regulations*, and applicable auditing standards. The number of hours budgeted to perform all activities in the Plan totals 27,778.

Plan Categories

The Plan is divided into three different categories:

- Statutory/Required Audits and Activities: Projects required by law or by external oversight entities for all Components and System Administration (except where noted).
- Risk-Based Functional Areas: Projects allocated amongst the Components based on risks identified during the annual risk assessment process and subsequently categorized by functional area. See the section entitled "Risk Assessment Process" below for more information.
- Other Activities: Projects required by grant agreements or third parties, consulting and advisory services, special projects such as time-sensitive investigations and management-requested reviews, identification and communication of emerging compliance requirements, liaising with external auditors, and other functions designed to assist management in mitigating risks.

Risk Assessment Process

Because audit and compliance resources are increasingly devoted to statutorily required projects, mandated activities, and legislative initiatives, fewer resources remain available for risk-based audits. Accordingly, it is essential that these engagements focus on areas where our independent assessments will provide the greatest value to The Texas State University System. In order to identify such projects, the Office of Internal Audit uses a two-phase risk assessment process.

The first phase of the risk assessment is the annual risk assessment, used to build this Plan. Texas Government Code 2102.005 requires audit plans to be developed "*using risk assessment techniques*." The collective risk assessment activities performed at the Components and System Administration in developing this Plan included, but were not limited to, the following activities:

- Soliciting input from the Board of Regents, the Chancellor, Vice-Chancellors, Component Presidents, and Component management;
- Consulting with oversight entities regarding emerging concerns;
- Considering national trends within higher education;
- Evaluating materiality;
- Assessing the potential impact of negative public scrutiny;
- Considering prior year projects still in progress during development of the Plan; and
- Utilizing professional judgment and knowledge gained from prior projects regarding areas of risk and information gained through continual risk assessment discussions with management throughout the year.

The risk assessments considered a myriad of risks, including those associated with:

- Utilization of artificial intelligence within and outside of The Texas State University System;
- The potential for waste, fraud, and abuse;
- Methods for ensuring compliance with contracting processes and controls and for monitoring contracts, as required by Texas Government Code, Section 2102.005(b);
- Calculations and application of benefits (benefits proportionality);
- Turnover in key positions; and

- Information technology risks (including those associated with Title 1, Texas Administrative Code, Chapter 202, *Information Security Standards).*

The risk assessments also considered work performed by external auditors, risk appetites, and activities where assurance or consulting engagements would be most helpful to management.

Upon completion of the annual risk assessments, identified risks were categorized into various functional areas based on the various organizational structures within The Texas State University System, the Risk Dictionary classifications created by the *Association of College and University Auditors*, and the functional expense classifications promulgated by the *National Association of College and University Business Officers* for financial statement reporting purposes.

Each functional area contains numerous activities, processes, and operations that could be the subject of an audit (see Appendix A). Except for compliance reviews (which are typically conducted on a system-wide basis), the various functional areas and the specific projects selected for review in those functional areas vary amongst the Components and System Administration depending on the level of risk. For example, a project in the Financial Management functional area at Lamar University could involve an audit of accounts payable, while a project in the Financial Management functional area at Sul Ross State University could involve an audit of accounts receivable. There could be no projects (or multiple projects) in the Financial Management functional area at Sam Houston State University.

The second phase of the risk assessment occurs when audit resources become available to commence a project in a designated functional area. Although the first phase of the risk assessment provides clear indicators of auditable units that would benefit from review, some units are of higher risk than others and sometimes risks identified during the annual risk assessment become mitigated as time passes. Therefore, as project planning begins, we conduct additional assessments to pinpoint the activities best suited for review. This approach affords flexibility to ensure emerging risks are timely reviewed. As required by the State Auditor's Office, the risk assessments also identified and documented areas of high risk that were not included in the Plan; these areas will be reported under separate cover in the Internal Audit Annual Report for 2026, due in October 2026.

As in prior years, there may be circumstances that require us to devote resources to activities not outlined in the Plan. Per the *Rules and Regulations*, significant changes to the Plan require approval by the Chair of the Finance and Audit Committee.

The Plan appears on the following page. An "A" marks functional areas where one or more audit projects are planned; a "C" marks functional areas where one or more compliance projects (across all Components) are planned. Finite resources preclude reviews in every functional area, including those known to have higher risks. Therefore, the absence of an "A" or "C" in the Plan for risk-based projects means that no work is planned in the corresponding functional area(s).

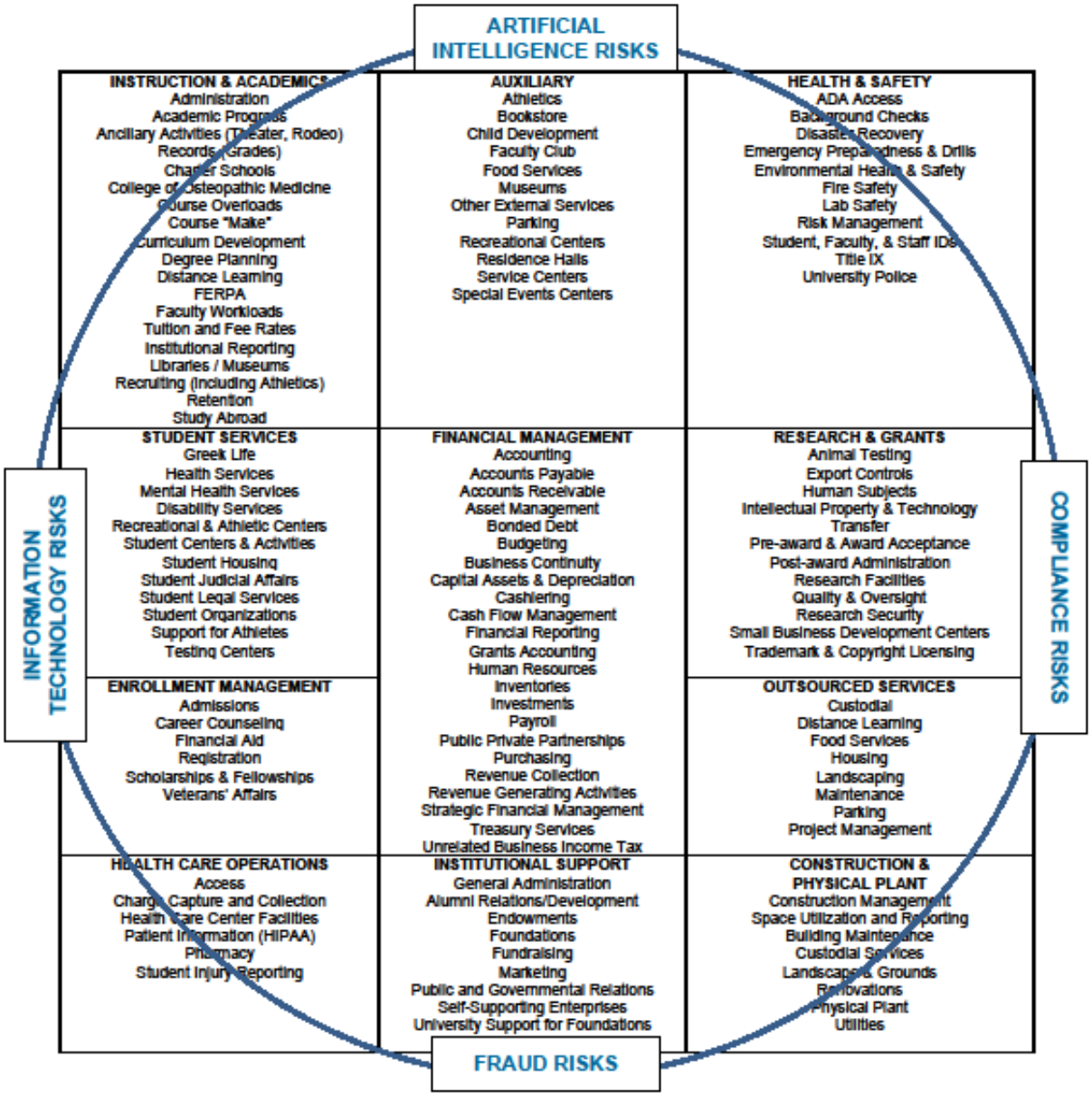
TEXAS STATE UNIVERSITY SYSTEM
AUDIT AND COMPLIANCE PLAN - FISCAL YEAR 2027

Activity	LU	SHSU	SRSU	TXST	LIT	LSCO	LSCPA	System Administration
STATUTORY/REQUIRED AUDITS AND ACTIVITIES								
SB 20 – Annual Policy Review & Contract Administration	A	A	A	A	A	A	A	A
Quarterly Follow-Up Reviews	A C	A C	A C	A C	A C	A C	A C	A C
Risk Assessment/Audit & Compliance Plan (for FY 2028)	A C	A C	A C	A C	A C	A C	A C	A C
Annual Internal Audit Report (for FY 2026)	A C	A C	A C	A C	A C	A C	A C	A C
THECB Facilities Audits					A		A	
NCAA Compilation		A						
Title IX Quarterly and Annual Reporting	C	C	C	C	C	C	C	C
Continuing Education	A C	A C	A C	A C	A C	A C	A C	A C
State-Mandated Training (Compliance Office)								C
RISK-BASED FUNCTIONAL AREAS (See Appendix A)								
Auxiliary Enterprises		A		A				
Instruction & Academics	C	A C	C	A C	C	C	C	C
Health & Safety	C	A C	A C	A C	C	C	C	C
Financial Management	A	A	A	A	A	A	A	
Student Services	C	A C	C	A C	C	C	C	C
Enrollment Management	C	A C	C	C	C	A C	C	C
Research & Grants	A	A		A				
Outsourced Services			A					
Construction & Physical Plant	A	A		A	A		A	A
Information Technology	A	A	A	A	A	A	A	A
Artificial Intelligence Governance				A				
Health Care Operations				A				
Institutional Support (including SB 17 audit)	A C	A C	A C	A C	A C	A C	A C	A C
OTHER ACTIVITIES								
Special Projects (Management Requests and Investigations)	A C	A C	A C	A C	A C	A C	A C	A C
Internal Audit Software Solution Project	A	A	A	A	A	A	A	A
Audit & Compliance Liaison Activities	A C	A C	A C	A C	A C	A C	A C	A C
System Administration Information Requests	A C	A C	A C	A C	A C	A C	A C	A C
Clery Act Reviews	C	C	C	C	C	C	C	C
State Due Date Database & Compliance Universe	C	C	C	C	C	C	C	C

A = One or more planned audit project(s) **C**= One or more planned compliance project(s)

APPENDIX A
RISK-BASED FUNCTIONAL AREAS

This chart depicts examples of (but not all) subprocesses/activities within each functional area, many of which overlap. These activities represent potential auditable units; however, some activities inherently have higher risks than others. Artificial intelligence, compliance, fraud, and information technology risks surround all of the functional areas and exist within all operations and were considered in the development of the Plan.



Appendix A: Risk-Based Functional Areas (Text Version)

The chart above depicts examples of (but not all) subprocesses/activities within each functional area, many of which overlap. These activities represent potential auditable units; however, some activities inherently have higher risks than others. Artificial intelligence, compliance, fraud, and information technology risks surround all of the functional areas, exist within all operations, and were considered in the development of the Plan.

Functional Area	Example Subprocesses/Activities
Instruction & Academics	Administration; Academic Progress; Ancillary Activities (Theater, Rodeo); Records (Grades); Charter Schools; College of Osteopathic Medicine; Course Overloads; Course "Make"; Curriculum Development; Degree Planning; Distance Learning; FERPA; Faculty Workloads; Tuition and Fee Rates; Institutional Reporting; Libraries / Museums; Recruiting (including Athletics); Retention; Study Abroad
Auxiliary	Athletics; Bookstore; Child Development; Faculty Club; Food Services; Museums; Other External Services; Parking; Recreational Centers; Residence Halls; Service Centers; Special Events Centers
Health & Safety	ADA Access; Background Checks; Disaster Recovery; Emergency Preparedness & Drills; Environmental Health & Safety; Fire Safety; Lab Safety; Risk Management; Student, Faculty, & Staff IDs; Title IX; University Police
Student Services	Greek Life; Health Services; Mental Health Services; Disability Services; Recreational & Athletic Centers; Student Centers & Activities; Student Housing; Student Judicial Affairs; Student Legal Services; Student Organizations; Support for Athletes; Testing Centers
Financial Management	Accounting; Accounts Payable; Accounts Receivable; Asset Management; Bonded Debt; Budgeting; Business Continuity; Capital Assets & Depreciation; Cashiering; Cash Flow Management; Financial Reporting; Grants Accounting; Human Resources; Inventories; Investments; Payroll; Public Private Partnerships; Purchasing; Revenue Collection; Revenue Generating Activities; Strategic Financial Management; Treasury Services; Unrelated Business Income Tax
Research & Grants	Animal Testing; Export Controls; Human Subjects; Intellectual Property & Technology Transfer; Pre-award & Award Acceptance; Post-award Administration; Research Facilities; Quality & Oversight; Research Security; Small Business Development Centers; Trademark & Copyright Licensing
Enrollment Management	Admissions; Career Counseling; Financial Aid; Registration; Scholarships & Fellowships; Veterans' Affairs
Outsourced Services	Custodial; Distance Learning; Food Services; Housing; Landscaping; Maintenance; Parking; Project Management
Health Care Operations	Access; Charge Capture and Collection; Health Care Center Facilities; Patient Information (HIPAA); Pharmacy; Student Injury Reporting
Institutional Support	General Administration; Alumni Relations/Development; Endowments; Foundations; Fundraising; Marketing; Public and Governmental Relations; Self-Supporting Enterprises; University Support for Foundations
Construction & Physical Plant	Construction Management; Space Utilization and Reporting; Building Maintenance; Custodial Services; Landscape & Grounds; Renovations; Physical Plant; Utilities
Risks surrounding all areas	Artificial Intelligence Risks; Compliance Risks; Fraud Risks; Information Technology Risks