

***SAM HOUSTON STATE UNIVERSITY***



*A Member of The Texas  
State University System*

**INTERNAL AUDIT DEPARTMENT**

**ANNUAL AUDIT PLAN**

***FISCAL YEAR 2007***

**KELLY R. BENGE, CPA**  
*Director of Internal Audit*



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**Internal Audit**

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Mr. Alan Dreeben  
Chair, Audit and Finance Committee  
Board of Regents  
The Texas State University System  
Austin, TX 78714-9209

Dear Regent Dreeben:

I am pleased to submit the Sam Houston State University Internal Audit Department Fiscal Year 2007 Annual Audit Plan. Fiscal year 2007 holds new challenges in pursuing different ideas and activities to assist the University to operate more efficiently and effectively. Our departmental goal continues to be the creation of a synergistic environment which is viewed as user friendly by the University community while maintaining the high standards of the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

Above all, I would like to comment on several of the reasons of the continued success of my department. First, is my excellent staff who have excelled at teamwork and are always willing to give that little extra to an audit. Second, is the management team at Sam Houston State University who has never failed to support the Internal Audit Department. Third is the support we receive from The Texas State University System Office and from you, the Board members. Many great things can be accomplished in such an environment.

The enclosed plan for fiscal year 2007 has been prepared to comply with the *Rules and Regulations* of The Texas State University System, the Texas Internal Auditing Act, and the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

I thank you for the time and effort you spend as Chair of the Audit and Finance Committee. I look forward to working with you in the year 2007.

Sincerely,

Kelly R. Bengé, CPA  
Director of Internal Audit  
Sam Houston State University



## **TABLE OF CONTENTS**

	<b>Page</b>
<b><i>FISCAL YEAR 2007 AUDIT PLAN</i></b>	
<b><i>Introduction</i></b>	<b>3</b>
<b><i>Audits</i></b>	<b>4</b>
<b><i>Allocation of Audit Resources</i></b>	<b>6</b>
<b><i>Risk Assessment</i></b>	<b>7</b>



## **INTRODUCTION**

The Internal Audit Department at Sam Houston State University has seen many changes in the last year. A new director was named in August 2005, and a new assistant internal auditor hired in October 2005. To date our highly qualified team of three includes two CPAs, a partial CIA, a partial MBA and one student assistant. We recently created a departmental website that provides background on the department and also contains links to our audit reports and audit plans as well useful links to other compliance and audit related sites. In January 2006, we relocated to a beautiful new office. Though we were very proud of our renovated dorm room offices, we are ecstatic over our new office located in Academic Building II, room 119. In April 2006, the Ethicspoint hotline link was added to the Sam Houston State University website and is a useful reporting tool for faculty, staff, students, vendors, etc. This brings to mind a quote that said “the art of progress is to preserve order amid change and to preserve change amid order.” Internal Audit has embarked upon its many changes and progressing daily as a result of it.

The 2007 audit plan was developed using enterprise risk management (ERM). Management was asked to become involved by submitting two to three areas of highest risk or concern. Having management involved in this way assures that our office utilizes time and resources where needed.

An allocation of audit resources has also been included as part of the 2007 Audit Plan. An estimated fifty - eight percent (58%) of time will be used as direct audit hours. Special project hours comprise twenty - nine percent (29%) of the hours and twenty - two (22%) percent are administrative in nature.

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**AUDITS FOR FISCAL YEAR 2007**  
**Based on Enterprise Risk Management by Division**

**Academic Affairs**

**Department of Mass Communication** (200 hours) A review of the operations in the Mass Communications Department.

**Office of Research and Sponsored Programs** (250 hours) A review of the operations in the Office of Research and Sponsored Programs. The audit will review procedures and operations within this department.

**Athletics**

**National Collegiate Athletic Association (NCAA) Financial Statements** – Preparation of the required financial statements and work papers for external CPA audit.

**Finance and Operations**

**Human Resources Department** (300 hours) Review of compliance with state and federal guidelines combined with review of the operational efficiency and internal controls of the department.

**Payroll Department** (300 hours) Review of internal controls associated with payroll transactions to determine compliance with federal, state and university guidelines combined with a review of the operational efficiency of the department.

**Student Services**

**Kat Klub** (250 hours) Review of internal controls surrounding Kat Klub transactions to determine compliance with federal, state, and university guidelines combined with a review of the operational efficiency of The Klub.

**Recreational Sports** (200 hours) Evaluation of effectiveness and efficiency of internal controls and policies and procedures of the department combined with a review of the operational efficiency of the department.



**Registered Greek Organizations** (150 hours) Evaluation of effectiveness and efficiency of registered greek student organization operations. Internal controls will be reviewed surrounding high risk transactions.

### **Enrollment Management**

**Career Services** (225 hours) Review of internal controls associated with departmental transactions to determine compliance with federal, state, and university guidelines combined with a review of the operational efficiency of the department.

**Residence Life** (275 hours) Review of department's housing procedures combined with evaluation of effectiveness of internal controls, compliance with university policy and review of operational efficiency.

### **University Advancement**

**Privacy of Information** (250 hours) Review of the security of departmental records and the adequacy of controls to safeguard these records.

**Cash Procedures and Controls** (200 hours) Evaluation of the effectiveness of internal controls surrounding cash transactions within selected departments as well as compliance with state and university policies.

### **Required Audits**

**Athletics/NCAA Financial Statements** – (300 hours) See comments above.

**Joint Admission Medical Program – (JAMP)** (150 hours) Review of the grants funded by the JAMP Council to ensure compliance with grant guidelines and requirements.

*Note: Audit duration is an estimate and may possibly vary depending upon the scope and objectives of the audit or due to any unforeseen issues that arise during the audit. Special projects or special requests by management deemed a priority may also alter the Audit Plan.*



## **ALLOCATION OF AUDIT RESOURCES**

### **AUDITS**

### **2 FTE's**

Planned Audits	2600
Required Audits	450
Special Projects	1000

### **ADMINISTRATIVE**

Continuing Professional Education	80
Leave (vacation, sick, holidays)	460
Other (committees, meetings, reports, etc)	490
Unallocated	<u>80</u>

Subtotal 1110

**TOTAL HOURS 5160**



## **RISK ASSESSMENT**

Enterprise risk management (ERM) was utilized as the basis for our fiscal year 2007 audit plan. This method replaces the prior approach of having Internal Audit develop and distribute a list of risks to be ranked by the President, Vice Presidents, and Deans. The previous method had flaws including the following:

- Internal Audit cannot feasibly determine every risk at the University as well as the individuals who manage the divisions can.
- Upper management from every college or division ranked risk based on their areas as well as all other areas of the University. Perceived risk was likely overriding actual risk when completing the audit plan.

With the ERM approach, management within each division provides input on associated risks based on their knowledge of the departments they manage. The long range plan presented in previous years based on the risk ranking methodology is no longer included. ERM has been implemented as the new approach to risk assessment for the University. Risk should be continuously monitored by management with the audit plan revised for changing risk thus ending the need for a long range plan except for those audits that are required on a routine basis. The result is an annual audit plan for the fiscal year 2007.

Evaluation of risk is an ongoing process. Ongoing review of risk will allow us to keep abreast of emerging issues. In addition we will be able to assess the risks associated with changes to both our internal and external environments.