I. POLICY STATEMENT

Texas Southern University ("the University") shall maintain the Office of Internal Audit and Assurance Services to provide independent, objective assurance and advisory services designed to add value and improve the University's operations. This Office assists the University in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

All internal audit activities shall be conducted in strict accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This includes adherence to the mandatory components of the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA), specifically the Global Internal Audit Standards™ and the Code of Ethics, as well as generally accepted government auditing standards.

The Office of Internal Audit and Assurance Services shall maintain a Quality Assurance and Improvement Program (QAIP) that includes an external quality assessment conducted at least once every five (5) years.

II. PURPOSE AND SCOPE

A. Purpose

The purpose of the University's Office of Internal Audit and Assurance Services is to strengthen the University's ability to create, protect, and sustain value by providing the Board of Regents and University Administration with independent, risk-based, and objective assurance, advisory services, insight, and foresight. The Office supports compliance with applicable federal requirements, including 2 CFR Part 200 (Uniform Guidance), and state reporting obligations.

The internal audit function strengthens the University's:

1. Successful achievement of strategic and operational objectives.
2. Institutional governance, risk management, and internal control processes.
3. Evidence-based decision-making and administrative oversight.
4. Reputation and credibility with internal and external stakeholders.
5. Capacity to fulfill its mandate and serve the public interest as a public institution.

The internal audit function achieves maximum effectiveness when it is independently positioned, performed by competent professionals, and free from undue influence.

B. Scope of Application

This policy applies to all University employees, departments, organizations, units, operations, programs, functions, systems, and personnel, including contractors, vendors, and other individuals or entities acting on behalf of the University, and applies to all funding sources.

C. Scope of Responsibility

The scope of responsibilities of the Office of Internal Audit and Assurance Services encompasses all University activities, programs, functions, assets, and personnel. Activities will include a risk-based approach to evaluate internal controls, governance processes, risk management practices, and the achievement of strategic objectives. The services provided will be those defined within the Office of Internal Audit and Assurance Services Charter; the Office may provide both assurance and advisory services, provided such engagements do not impair independence or result in the assumption of management responsibilities.

III. POLICY PROVISIONS

A. **Continuous Improvement**: The Office of Internal Audit and Assurance Services supports continuous improvement of risk management, control, and governance through:

1) **Risk Management** - Utilizing a risk-based approach to identify inherent risks and establish acceptable residual risk values by contributing to the enhancement of control systems.

2) **Control Systems** -Supporting the development, implementation, and maintenance of controlled activities to mitigate exposure, improve effectiveness and efficiency and promote continuous improvement.

3) **Governance** - Contributing to the governance of the University through the promotion of control systems whereby objectives are documented and communicated, accountability and performance are measured, and control.

systems are preserved

B. **Function**: The Office of Internal Audit and Assurance Services is responsible for reviewing the fiscal, operational, technical, and administrative activities of the University. The Office serves as both a protective and constructive link between the University's policymaking, governance and operational functions. Based on audit findings and identified deficiencies, the Office of Internal Audit and Assurance Services shall provide reports to the Audit Committee of the Board of Regents ("the Board") and the President. Such reports shall include recommendations designed to strengthen internal controls, improve operational efficiency, and support effective institutional governance.

C. **Authority:** The Office of Internal Audit and Assurance Services operates under the authority of both the Board of Regents and the President. The Office is authorized to conduct audits and reviews of all University organizational units and functions as necessary to fulfill its responsibilities and objectives. The Office of Internal Audit and Assurance Services is authorized to have full, free, and unrestricted access to all University functions, records, property, and personnel relevant to the performance of audits. The Office of Internal Audit and Assurance Services shall also have the authority to communicate directly with the Audit Committee in executive session without management present.

D. **Independence**: The Chief Audit Executive (CAE) shall report functionally to the Audit Committee of the Board of Regents and administratively to the President. Internal Audit shall be free from interference in determining the scope of audits, performing work, and communicating results. Internal Audit shall not assume management responsibilities or operational duties. Auditors shall not audit areas for which they had responsibility within the previous year.

IV. CORE OPERATIONAL RESPONSIBILITIES

A. Key Responsibilities

The core operational responsibilities of the Office of Internal Audit and Assurance Services include:

1. **Annual Risk Assessment and Audit Planning**: Completing an annual institutional risk assessment and developing a comprehensive internal audit plan based on that

assessment. The internal audit plan shall be presented to the Audit Committee and the Board of Regents for formal approval.

2. **Execution of Audits**: Performing audits, reviews, and related activities in strict accordance with established professional and state standards.

3. **Reporting and Communication**: Preparing formal audit reports upon the conclusion of engagements and ensuring the timely communication of findings and recommendations to the Audit Committee, the Board of Regents, the President, and executive management.

4. **Corrective Action Monitoring**: Monitoring and following up on established management plans for corrective action and implementation statuses and reporting these progress metrics regularly to the Audit Committee, the Board of Regents, and the President.

5. **External Oversight Coordination**: Responding, as required, to inquiries and mandates from the State Auditor's Office and other external regulatory or oversight bodies.

6. **Professional Proficiency**: Maintaining auditor proficiency and technical competence through continuous professional development and continuing professional education (CPE) requirements.

7. **Regulatory Compliance Evaluation**: Evaluating and reporting on the University's programs, initiatives, and activities to ensure alignment and regulatory compliance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) alongside other applicable state laws and regulations.

V. GENERAL PROCEDURES FOR AUDITS

A. Entrance Conference

The Office of Internal Audit and Assurance Services shall provide advance notice of an upcoming audit to the respective function head and responsible administrator. An entrance conference will be conducted to disclose specific audit objectives, plans, and procedures. Notwithstanding the foregoing, unscheduled or unannounced audits may be undertaken under appropriate circumstances.

B. Audit Fieldwork

Audit fieldwork may encompass interviews with responsible parties and business process leads, the development and documentation of "as-is" process understandings, observation of operational procedures, examination of physical or digital documentation, and other necessary analytical or investigative procedures. Audit observations and preliminary findings will be discussed with the auditee throughout the course of fieldwork.

C. Exit Conference

Upon completion of fieldwork, an exit conference will be held to disclose and review preliminary findings or a preliminary draft of the audit report. This meeting serves to discuss interpretations, clarify potential differences, and incorporate appropriate revisions before finalization.

D. Audit Reports and Management Responses

1. **Report Drafting**: A formal report will be drafted by the Office of Internal Audit and Assurance Services upon the completion of all audits or advisory engagements included in the internal audit plan.

2. **Management Response Timeline**: No later than three weeks following the close of fieldwork and subsequent issuance of the preliminary audit report, the function head or responsible administrator shall submit a formal written response to the audit findings.

3. **Response Requirements**: The management response must address each individual finding and explicitly include:

   a. **Statement of Position**: A clear statement of agreement or disagreement. If the auditee disagrees with a specific provision of the report, the auditee's position and rationale shall be clearly identified in the area in which the exception is taken.
   b. **Corrective Action Plan**: A precise statement of the corrective action(s) planned or taken in response to the finding presented.
   c. **Accountability and Timeline**: The designation of the specific University personnel responsible for the implementation of the corrective action(s) along with a firm timeline for implementation and completion.

E. Follow-Up Activities and Monitoring: The Office of Internal Audit and Assurance Services will conduct a review of the corrective actions taken in response to the audit report. The timing of the follow-up procedures will be based on the timeline for implementation and completion of the changes in the original internal audit report. Internal audit will validate that corrective actions were taken to remediate audit findings and that the actions effectively mitigate the identified risk(s). A separate report will be provided after follow-up validation procedures are completed. The report for follow-up procedures will follow the same requirements of audit reports. Upon completion of the follow-up procedures, if findings remain open, the function head may be subject to additional reporting requirements, based on the decision of the University President or Audit Committee.