



Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

May 8, 2024

Dr. Alisa White, President
Sam Houston State University
Box 2026
Huntsville, TX 77341-2026

Subject: Engagement Letter for the Statewide Single Audit for Fiscal Year 2024


Dear Dr. White:


The State of Texas is required to obtain an annual Single Audit in accordance with the Single Audit Act Amendments of 1996; Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the U.S. Office of Management and Budget (OMB) Compliance Supplement; and *Government Auditing Standards*. The required audit is referred to as a "Single Audit" because one audit is conducted for the State as a whole, rather than multiple audits of individual federal programs. Single Audits have the following components:

- A **federal compliance component** that focuses on an entity's compliance with the provisions of laws, regulations, and contracts or grants pertaining to federal awards.
- A **financial component** that focuses on an entity's financial information as part of the Annual Comprehensive Financial Report for the State of Texas and its Schedule of Expenditures of Federal Awards.

To enable the State of Texas to comply with the requirement to obtain a Single Audit, the State Auditor's Office conducts statewide audit work at various state agencies and higher education institutions each year. Sam Houston State University (University) has been selected for audit work related to the federal compliance component of the State of Texas Statewide Single Audit for fiscal year 2024. Specifically, we will follow up on prior year audit findings related to Student Financial Assistance Cluster expenditures.

This letter outlines the understanding of the State Auditor's Office with respect to the audit at the University for the year ended August 31, 2024.

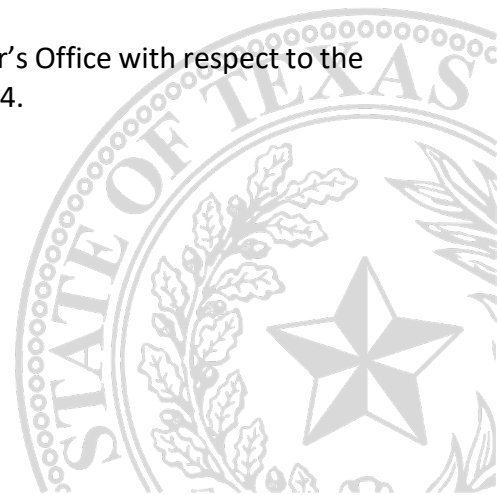
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The objectives of the Single Audit are as follows:

- To obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, it is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- Obtain an understanding of the internal controls over compliance for each major federal program, assess the control risk of noncompliance, and perform tests of those controls unless the controls are deemed to be ineffective.
- Express an opinion on whether the State has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.
- Express an opinion on whether the State's Schedule of Expenditures of Federal Awards for the year ended August 31, 2024, is presented fairly in all material respects in relation to the State's financial statements taken as a whole.
- Report on any significant deficiencies and material weaknesses in internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and will be subjected to auditing procedures applied in the audit of the basic financial statements and additional procedures in accordance with auditing standards generally accepted in the United States of America. We will provide an opinion as to whether that information is fairly stated in all material respects in relation to the State's basic financial statements taken as a whole.

MANAGEMENT'S RESPONSIBILITIES

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility for:

- Preparing and fairly presenting the University's financial statements in accordance with accounting principles generally accepted in the United States of America.
- Designing, implementing, and maintaining internal control over compliance and internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters, and to compliance with provisions of laws, regulations, contracts, and grant agreements; (2) additional information that we may request from management for the purpose of the audit; and (3) unrestricted access to persons within the University from whom we determine it is necessary to obtain audit evidence.
- Identifying and ensuring that the University complies with laws, regulations, and the provisions of contracts and grants applicable to its activities.
- Informing auditors of all significant deficiencies and material weaknesses in the design or operation of controls of which it has knowledge.
- Adjusting the financial statements and the Schedule of Expenditures of Federal Awards to correct material misstatements and for affirming to the auditor in the management representation letter that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in aggregate, to the financial statements and the Schedule of Expenditures of Federal Awards taken as a whole.
- Designing and implementing programs and controls to prevent and detect fraud; and taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse that the auditor reports.
- Informing the auditor of events occurring or facts discovered subsequent to the date of the financial statements and the Schedule of Expenditures of Federal Awards, of which management may become aware, that may affect the financial statements.
- Identifying all federal awards received and preparing the Schedule of Expenditures of Federal Awards in accordance with the Office of the Comptroller of Public Accounts' reporting requirements and the Uniform Guidance.

- Following up and taking corrective action on audit findings and preparing a corrective action plan.
- Notifying auditors of any significant vendor relationships for which the vendor is responsible for program compliance.

The audit does not relieve management or those charged with governance of their responsibilities.

In accordance with *Government Auditing Standards*, as part of our audit planning, we will evaluate whether management has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on compliance with federal requirements, on the financial statements, or on the Schedule of Expenditures of Federal Awards. To assist us, management agrees to identify previous audits, attestation engagements, or other studies that relate to the objectives of the audit, including whether related recommendations have been implemented, prior to first day of audit fieldwork.

AUDITOR'S RESPONSIBILITIES AND SCOPE OF WORK

We will perform tests specific to the condition(s) noted in the prior year audit finding(s) related to the Student Financial Assistance Cluster to determine the University's compliance with laws, regulations, and provisions of contracts and grants in accordance with the Uniform Guidance. This may include testing limited procedures that we determine to be necessary based on Appendix XI - Compliance Supplement (Compliance Supplement) of the Uniform Guidance. The procedures outlined in the Compliance Supplement are those suggested by the federal agencies; they are general in nature and, therefore, do not cover all areas of regulation governing each program. Auditors may perform alternative audit procedures to achieve audit objectives stated in the Compliance Supplement.

We are responsible for conducting the audit in accordance with generally accepted government auditing standards. Those standards require that we exercise professional judgment and maintain professional skepticism throughout the audit. We will also:

- Identify and assess the risks of material misstatement of the financial statements and the Schedule of Expenditures of Federal Awards, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards.

Auditing standards require our auditors to exercise professional skepticism and increased awareness to detect potential fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. As a result, interviews with employees at all levels as appropriate will include specific questions to help us assess fraud risk at the University.

In accordance with *Government Auditing Standards*, in certain circumstances we are also required to report fraud or noncompliance directly to parties outside of the University. However, because the determination of waste and abuse is subjective, *Government Auditing Standards* do not require auditors to detect waste and abuse.

STATE AUDITOR'S OFFICE CONTACTS

Jennifer Brantley is the audit manager overseeing the federal compliance component of the audit and can be reached at (512) 936-9461 or Jennifer.Brantley@sao.texas.gov. Valerie Bogan is the overall project manager for the federal compliance component of the audit and can be reached at (512) 936-9492 or Valerie.Bogan@sao.texas.gov.

Your contact manager, who serves as your resource for information and assistance throughout the year, is Jennifer Brantley. She is kept informed of all audit projects related to the University. Please feel free to contact her regarding any questions, suggestions, concerns, or comments about this project or any other issue.

A copy of the most recent external quality control review report on the State Auditor's Office is available at <http://www.sao.texas.gov/About/PeerReviews/>. *Government Auditing Standards* include a requirement for audit organizations to have an external review every three years. The most recent review found that the State Auditor's Office conducts audits in accordance with auditing standards.

AUDIT FINDINGS AND RESULTS

Findings or exceptions noted will be provided to management for written responses. A written management response to the findings is expected within 10 working days of receipt. However, the response time may be fewer than 10 working days, based on the significance of any issues identified during the engagement. A draft of our findings and recommendations will be delivered to management prior to the exit conference.

Management's final responses, including corrective action plans for prior year findings, should be typed on University letterhead and accompanied by your signature. In certain circumstances, auditor follow-up comments may be included in the findings.

REPORTING REQUIREMENTS

The Uniform Guidance requires the auditee to submit a data collection form and a reporting package to the Federal Audit Clearinghouse. A comprehensive data collection form and a reporting package will be submitted at the statewide level; therefore, it will not be necessary for the University to submit those items to the federal government.

ESTIMATED CHARGES

Reimbursement to the State Auditor's Office is authorized by Article IX, Section 6.20(b)(1), of the State's General Appropriations Act and the Interagency Cooperation Act (Texas Government Code, Chapter 771). The State Auditor's Office will invoice the University for services provided. The University shall reimburse the State Auditor's Office within thirty (30) days after the receipt of invoices from the State Auditor's Office from appropriation items or accounts from which like expenditures normally would be paid for similar resources, based upon vouchers drawn by the University payable to the State Auditor's Office. The State Auditor's Office will credit University payments to current appropriation item(s) or account(s) from which the expenditures of that character originally were made. Payment shall be made in accordance with Texas Government Code, Section 771.008.

Based on our preliminary estimates of the work to be done and an hourly rate of \$109, we estimate the billing for each audit area as follows:

Follow up on 3 prior-year findings – Student Financial Assistance Cluster	<u>\$16,350</u>
Total estimated billing	\$16,350

That estimate may change as the audit progresses. Any significant changes in the estimated billing will be discussed with management at the time the changes are identified.

CONCLUDING REMARKS

We are currently gathering information to assist with the planning phase of the audit. To avoid duplicating audit efforts, we will coordinate our work with your internal auditor.

We anticipate completing our audit work by February 21, 2025.

Our office looks forward to working with the University's personnel over the course of the audit.

If the terms of this engagement as outlined above are acceptable, please indicate by signing below. Please return this letter to the State Auditor's Office. The undersigned parties do hereby certify that (1) the services specified above are necessary and essential for activities that are properly within the statutory functions and programs of the affected agencies of State Government; (2) the proposed arrangement serves the interest of the economical administration of the State Government; and (3) the services, supplies, or material that are the subject of this agreement are not required by Section 21 of Article 16 of the Constitution of Texas to be supplied under contract given to the lowest responsible bidder. The University further certifies that it has the authority to contract for the above services.

The undersigned parties bind themselves to the faithful performance of this agreement.

Sincerely,



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

Dr. Alisa White, President
Sam Houston State University
May 8, 2024
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cc: Members of the Texas State University System Board of Regents

Mr. Alan L. Tinsley, Chair
Mr. Dionicio Flores, Vice Chair
Mr. Charlie Amato
Mr. Earl C. Austin, Jr.
Ms. Sheila Faske
Mr. Russell Gordy
Mr. Stephen Lee
Mr. Tom Long
Mr. William F. Scott
Mr. Kelvin Elgar, Student Regent

Dr. Brian McCall, Chancellor, Texas State University System
Ms. Carole M. Fox, Chief Audit Executive, Texas State University System
Ms. Kelly R. Blissett, Director, Office of Internal Audit, Sam Houston State University
Ms. Amanda Withers, Chief Financial Officer and Senior Vice President of Finance and Operations, Sam Houston State University
Ms. Amy Wilson, Director of Financial Aid and Scholarships, Sam Houston State University

Acknowledged and agreed to on behalf of Sam Houston State University by:

Name

Title

Date