

# **Stephen F. Austin State University**

## **24-101 General Ledger Reconciliations**

**As of December 31, 2024**

**Audit Report 24-101**



## **Department of Audit Services**

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### **EXECUTIVE SUMMARY**

The Department of Audit Services has completed an audit of general ledger reconciliations. Per the Stephen F. Austin State University (University) website, "The Office of Financial Reporting is responsible for the accounting and reporting of the university's financial activity and position. We are committed to supporting the university's mission by providing accurate and timely information and services to the State of Texas and our other constituents." Reconciliations are regular procedures used to support and verify the accuracy, completeness, and validity of the University's underlying financial activity including all activity within the general ledger. The University's general ledger contains the activity and balances related to the Statement of Net Position including Assets, Liabilities, and Equity accounts. General ledger balances as of August 31, 2024 and December 31, 2024 were as follows:

	<u>August 31, 2024</u>	<u>December 31, 2024</u>
Assets and Deferred Outflows	<u>\$ 590,911,410</u>	<u>\$ 657,982,238</u>
Liabilities and Deferred Inflows	\$ 119,626,781	\$ 31,588,293
Net Position	<u>\$ 471,284,629</u>	<u>\$ 626,393,945</u>
	<u>\$ 590,911,410</u>	<u>\$ 657,982,238</u>

### **AUDIT OBJECTIVE**

The audit objective was to gain assurance that controls and processes for general ledger reconciliations exist and are operating as intended to support accurate University financial statements.

### **SCOPE**

The audit scope included general ledger activity through December 31, 2024 as well as current policies, procedures, systems, controls, and records.

### **SUMMARY OF AUDIT RESULTS**

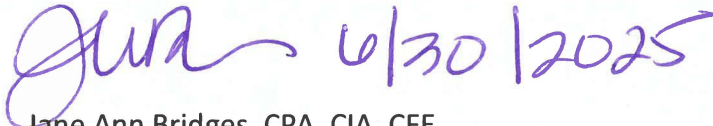
We found that the University does not have fully developed, formalized general ledger reconciliation controls and processes. While performing our audit, we noted opportunities to strengthen controls, enhance compliance, or improve processes. Additional details can be found in *Details of Audit Observations*.

Observation	Rating*
1 – Documented Procedures for General Ledger Reconciliations	High
2 – Effectiveness of General Ledger Reconciliations	High

\* See Appendix 1 for Observation Rating descriptions

**ACKNOWLEDGMENTS**

We appreciate the assistance provided to us during our audit by the Office of Financial Reporting.



Jane Ann Bridges, CPA, CIA, CFE  
Chief Audit Executive  
Stephen F. Austin State University



**DETAILS OF AUDIT**

**BACKGROUND**

Per the Stephen F. Austin State University (University) website, "The Office of Financial Reporting is responsible for the accounting and reporting of the university's financial activity and position. We are committed to supporting the university's mission by providing accurate and timely information and services to the State of Texas and our other constituents." Reconciliations are regular procedures used to support and verify the accuracy, completeness, and validity of the University's underlying financial activity including all activity within the general ledger. The University's general ledger contains the activity and balances related to the Statement of Net Position including Assets, Liabilities, and Equity accounts. General ledger balances as of August 31, 2024 and December 31, 2024 were as follows:

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**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objective was to gain assurance that controls and processes for general ledger reconciliations exist and are operating as intended to support accurate University financial statements.

The audit scope included general ledger activity through December 31, 2024 as well as current policies, procedures, systems, controls, and records.

We performed our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards* (GAGAS). The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on our audit objectives. The Department of Audit Services is independent per both standards for internal auditors. Auditors communicated other, less significant issues separately to university management.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; assessing internal controls; interviewing appropriate University personnel; reviewing reconciliations and related supporting documentation; evaluating opportunities for fraud to occur; and performing other procedures as deemed necessary.

Audit criteria included:

- University of Texas System Policies.
- University procedures.
- Office of Financial Reporting procedures.
- Other sound financial reporting and internal control guidelines and practices.

### **DETAILS OF AUDIT OBSERVATIONS**

#### **Observation 1: Documented General Ledger Reconciliation Procedures**

**Background:** Reconciliations are standard procedures used to support and verify the accuracy, completeness, and validity of the University's financial activity, including all activity within the general ledger. An effective reconciliation process includes clear ownership and accountability, routine and timely completion, and consistency in the process. The following information is essential to the general ledger reconciliation process:

- Identification of the general ledger accounts included in the reconciliation.
- Supporting data (e.g., subsidiary ledger) used to reconcile to the general ledger accounts.
- Clear ownership and accountability for the reconciliation. To ensure proper segregation of duties, each of the following roles should be performed by a different responsible party.
  - Preparer.
  - Reviewer.
  - Posting entries to resolve reconciling items.
- Risk-based prioritization of reconciliations (e.g., monthly, quarterly).
- Thresholds for investigating reconciling differences.
- Comprehensive documentation including, but not limited to:
  - Evidence of preparer and reviewer.
  - Date of completion and reviews.
  - Support for reconciling items.
  - Identification of supporting data.

**Observation:** During our review, we noted that the general ledger reconciliation procedures provided by management did not include the essential information to accurately and consistently perform general ledger reconciliations.

**Observation Rating:** High

**Recommendation:** The Office of Financial Reporting should strengthen general ledger reconciliation procedures to help ensure the accuracy of University financial activity.

**Management Response:** The Office of Financial Reporting will strengthen procedures related to general ledger reconciliations to ensure financial risk is mitigated and financial statements are accurate.

**Responsible Party:** Vice President for Finance

**Implementation Date:** March 31, 2026

### **Observation 2: Effectiveness of General Ledger Reconciliations**

**Background:** Using the general ledger reconciliation procedures provided and best practices for reconciliations, we evaluated the University's general ledger reconciliation process by reviewing a sample of reconciliations for the following elements:

- Had a general ledger reconciliation been completed for the general ledger account(s)?
- Was appropriate supporting data (e.g., subsidiary ledger) used to reconcile to the general ledger account(s)?
- Did the general ledger book balance on the reconciliation match the balance found in Banner, the financial system?
- Was clear ownership and accountability present (e.g., signatures of preparer and reviewer)?
- Was the reconciliation completed timely (for purposes of our testing, 2 months after month-end)?
- Were all reconciling differences identified and resolved timely (for purposes of our testing, 2 months after month-end)?

The following table presents the percentage of general ledger balances that were selected as a sample for our audit procedures:

	Month Ending August 31, 2024 % Selected	Month Ending December 31, 2024 % Selected
Assets and Deferred Outflows	52%	58%
Liabilities and Deferred Inflows	87%	35%
Net Position	100%	100%

**Observation:** During our procedures, we noted the following:

Sample of General Ledger Accounts	Yes	No	Total
Completed Reconciliation	28 (82%)	6 (18%)	34 (100%)
Reconciled to Appropriate Supporting Data	27 (96%)	1 (4%)	28 (100%)
General Ledger and Reconciliation Book Balance Match	27 (96%)	1 (4%)	28 (100%)
Evidence of Ownership	18 (64%)	10 (36%)	28 (100%)
Evidence of Accountability	15 (54%)	13 (46%)	28 (100%)
Completed Timely	14 (50%)	14 (50%)	28 (100%)

STEPHEN F. AUSTIN STATE UNIVERSITY DEPARTMENT OF AUDIT SERVICES  
24-101 GENERAL LEDGER RECONCILIATIONS

Sample of General Ledger Accounts	Yes	No	Total
Reconciling Differences Identified and Resolved Timely	10 (36%)	18 (64%)	28 (100%)

**Observation Rating:** High

**Recommendation:** The Office of Financial Reporting should strengthen oversight of general ledger reconciliations to help ensure the accuracy of University financial activity.

**Management Response:** Management will continue to strengthen procedures and documentation related to general ledger reconciliations to ensure financial risk is mitigated and financial statements are accurate and are adequately supported with proper, consistent, and documented detailed reconciliations.

**Responsible Party:** Vice President for Finance

**Implementation Date:** March 31, 2026



### **APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS**

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

SFASU Audit Services Observation Ratings	
Rating	Description
Priority	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
High	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
Medium	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
Low	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.