Texas Southern University

Internal Audit of Financial Close and Reporting

Report Date: October 21, 2026

weaver

Assurance • Tax • Advisory

CONTENTS

Page

Internal Audit Report Transmittal Letter to the Board of Regents 1

Background 2

Audit Objective and Scope 2

Executive Summary 4

Conclusion 5

Detailed Procedures Performed, Findings, Recommendations and Management Response 6

Appendix 15

Board of Regents
Texas Southern University
3100 Cleburne Street
Houston, TX 77004

Dear Board of Regents:

This report presents the results of the internal audit procedures performed for Texas Southern University (TSU or the University) during the period April 9, 2026, through October 12, 2026, relating to the financial close and reporting processes of the University.

The objectives of the internal audit were to evaluate the design and effectiveness of Texas Southern University's financial close and reporting processes as follows:

A. Determine whether internal controls over Financial Close and Reporting are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.

B. Ensure that controls over selected high-risk processes within the Financial Close and Reporting processes are operating efficiently and effectively.

To accomplish these objectives, we conducted interviews and walkthroughs with personnel responsible for financial close and reporting processes within the University's Finance and Business Administration. We also examined existing documentation, evaluated internal controls over the processes, and performed specific testing procedures to assess controls. Our coverage period was September 1, 2025, through April 30, 2026. Procedures were performed remotely and an exit meeting was conducted on October 12, 2026.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
October 21, 2026

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

Background

Texas Southern University's Finance and Business Administration administers and oversees the University's Financial Close and Reporting processes, which are designed to produce accurate, complete, and timely financial information and to support the University's annual financial reporting obligations to the State. The department is responsible for performing monthly and year-end account reconciliations, preparing and approving journal entries, coordinating month-end and year-end close activities, and preparing the University's Annual Financial Report (AFR) for submission to the Texas Comptroller of Public Accounts and the Texas Higher Education Coordinating Board. The department also investigates and resolves reconciling items, records adjusting entries in the correct period, and responds to requests from external auditors and state oversight agencies. Additionally, the Finance and Business Administration is responsible for maintaining the close schedule and checklists, monitoring the completion of close activities, and enforcing appropriate review and approval of journal entries before posting. Through these processes, the University seeks to provide reliable financial information to management, governing bodies, and external stakeholders while maintaining accountability and safeguarding institutional resources.

Given the volume of manual activity involved in the close process and the risks associated with untimely reconciliations, unresolved reconciling items, unsupported account balances, inadequate journal entry approval, and inaccurate financial reporting, effective controls are critical to the integrity of the University's financial records. In addition, oversight from external auditors, state oversight agencies, and other stakeholders highlights the importance of maintaining a well-defined and consistently executed financial close process.

Audit Objective and Scope

This audit focused on the design and effectiveness of TSU’s financial close and reporting processes in place. The audit evaluated the internal controls over the University's key processes, focusing on the following areas:

- Monthly Reconciliations
- Audit Preparation
- Financial Close Procedures
- Journal Entries

Our procedures were designed to ensure relevant risks were covered and verify the following:

Monthly Reconciliations

- Monthly balance sheet accounts were reconciled timely, completely, and accurately, with reconciling items identified, supported, reviewed, and resolved in accordance with University policy.
- Monthly adjusting entries, including those affecting revenue, payables, receivables, and grants, were identified through the reconciliation process, supported with appropriate documentation, and posted in the correct period to ensure account balances were complete and accurate.
- Reconciliations were prepared by knowledgeable staff and independently reviewed, ensuring errors, omissions, or unusual balances were detected and corrected prior to financial reporting.
- Reconciliation processes were consistently applied across funds, systems, and subledgers, including auxiliary, restricted, grant, clearing, and fixed asset accounts, to ensure financial information was reliable and complete.
- Aged or unreconciled items were appropriately investigated, resolved, or escalated, reducing the risk of misstated assets, liabilities, or fund balances.

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

Audit Preparation

- The University maintained well-documented, organized, and supportable workpapers, enabling timely and accurate responses to external auditors and state oversight requests.
- Roles, responsibilities, and timelines for audit coordination were clearly defined and communicated, reducing the risk of delays, incomplete submissions, or inconsistent information provided to auditors.
- Financial data provided for audit and state reporting purposes was complete, accurate, and reconciled to the general ledger, ensuring consistency across audited and unaudited submissions.
- Management performed quality control reviews over audit schedules and disclosures prior to submission, reducing the risk of post-submission corrections or audit adjustments.

Financial Close Procedures

- The financial close process was formally defined, documented, and executed consistently, including standardized close calendars, checklists, and cutoff procedures.
- Key close activities (accruals, allocations, reclassifications, estimates, and capital asset entries such as additions, disposals, and depreciation) were performed timely and reviewed, ensuring financial results were complete and accurate for each reporting period.
- Financial statement disclosures were identified, drafted, and reviewed as part of the close process, with supporting documentation retained to ensure disclosures were complete, accurate, and consistent with applicable accounting standards and state reporting requirements.
- Close procedures supported compliance with applicable accounting standards and state reporting requirements, including higher-education and governmental reporting expectations.
- System access, dependencies, and handoffs during close were appropriately coordinated, reducing the risk of incomplete postings or last-minute manual adjustments.

Journal Entries

- Journal entries were accurately prepared, adequately supported, and properly authorized prior to posting to the general ledger.
- Manual and non-routine journal entries were subject to heightened review, reducing the risk of error, bias, or inappropriate financial statement adjustments.
- Journal entries were recorded in the correct accounting period, ensuring proper cutoff and accurate financial reporting.

Segregation of duties was appropriately enforced between journal entry preparation, approval, and posting, mitigating the risk of unauthorized or fraudulent entries. Our procedures included interviewing key personnel within the University's Finance and Business Administration to gain an understanding of the current processes in place, examining existing documentation, performing walkthroughs, and evaluating the internal controls over the process. We evaluated the existing policies, procedures and processes in their current state. Our coverage period was September 1, 2025, through April 30, 2026.

The objectives of this internal audit were as follows:

A. Determine whether internal controls over Financial Close and Reporting are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.

B. Ensure that controls over selected high-risk processes within the Financial Close and Reporting processes are operating efficiently and effectively.

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

Executive Summary

Through our interviews, evaluation of internal control design and testing of transactions, we identified four findings. The findings include those items that have been identified and are considered to be non-compliance issues with documented Texas Southern University policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to the University. These issues could have significant financial or operational implications.

A summary of our results, by audit objective, is provided in the table below. *See the Appendix for an overview of the Assessment and Risk Ratings*.

OVERALL ASSESSMENT	Unsatisfactory

SCOPE AREA	RESULT	RATING
Objective A: Determine whether internal controls over Financial Close and Reporting are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.	Our audit identified significant deficiencies in the design of controls over the financial close and reporting process. Specifically, management had not established: • Monitoring or escalation procedures for overdue reconciliations. • Documented requirements for maintaining the month-end and year-end close checklists. • Procedures for the aging, escalation, and resolution of reconciling items. • Documented journal entry approval authority and monetary thresholds.	**Unsatisfactory**
Objective B: Ensure that controls over selected high-risk processes within the Financial Close and Reporting processes are operating efficiently and effectively.	Controls are not operating effectively. Specifically: • Account reconciliations were completed after established deadlines. • Close checklists were incomplete and inconsistently maintained. • Reconciling items remained unresolved across multiple accounting periods. • Journal entries over $1 million were approved by unauthorized personnel.	**Unsatisfactory**

Conclusion

Based on our evaluation, the financial close and reporting process has significant control deficiencies that require substantial remediation efforts.

Most significantly, we recommend that the University prioritize strengthening its month-end and year-end close monitoring processes. Management should establish formal procedures to ensure all required close activities and account reconciliations are tracked, assigned, completed, reviewed, and documented within established deadlines. These procedures should include monitoring and escalation steps that identify overdue reconciliations and other close activities, track completion status, and give management timely visibility into outstanding items. These enhancements will improve accountability, support timely financial reporting, and provide management with greater assurance that key close activities are performed consistently and completely.

The University should also establish formal procedures governing the resolution of reconciling items, including defined resolution timeframes, assigned ownership, and an aging schedule for outstanding items. Management should periodically review balances older than 30 days to determine whether corrective journal entries or other actions are necessary. These improvements will help ensure discrepancies are investigated and corrected promptly, reducing the risk that errors or misstatements carry forward across multiple reporting periods.

The University should enhance controls over journal entry approvals by documenting approval authority and monetary thresholds within its policies and procedures. Management should implement monitoring controls to verify that journal entries receive the required level of review and evaluate opportunities to automate approval routing based on those thresholds. These actions will strengthen oversight of significant financial transactions and provide greater assurance that high-dollar journal entries are appropriately reviewed and approved prior to posting.

Finally, management should strengthen annual close procedures to ensure year-end reconciliations are completed, reviewed, and approved prior to internal and external reporting deadlines. Formal monitoring and escalation procedures, combined with clear accountability and documentation requirements, will help ensure balances reported in the Annual Financial Report are adequately supported and validated before submission.

Follow-up procedures will be performed in Fiscal Year 2027 to evaluate the effectiveness of remediation efforts taken to address the findings and observation identified during the audit.

Detailed Procedures Performed, Findings, Recommendations and Management Response

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel within the University's Finance and Business Administration to gain an understanding of the current processes in place, examining existing documentation, performing walkthroughs, and evaluating the internal controls over the process. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Determine whether internal controls over Financial Close and Reporting are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.

Procedures performed: We gained an understanding of the current financial close and reporting processes by conducting interviews and walkthroughs with key personnel within the Finance and Business Administration and examined existing documentation. We documented our understanding of the processes and identified controls over the following processes:

- Monthly Reconciliations
- Audit Preparation
- Financial Close Procedures
- Journal Entries

We evaluated whether the identified controls are sufficiently designed to comply with University policies and procedures and mitigate critical risks associated with the financial close and reporting processes. We identified any unacceptable risk exposures due to control design inadequacy or any opportunities to strengthen the effectiveness of the existing control design.

Monthly Reconciliations

Finding 1 – High – Monthly Reconciliation Timeliness

The University has established procedures and deadlines for completing monthly account reconciliations through its Month-End Close Checklist; however, management has not established sufficient monitoring procedures to ensure reconciliations are completed and reviewed within the required timeframe. The Checklist establishes a monthly closing schedule that includes due dates for account reconciliations and a hard-close date for each month. Delayed reconciliations are not identified, monitored, or escalated when established deadlines are missed.

We reviewed all account reconciliations prepared for the November 2025, February 2026, and April 2026 month-end close periods to determine whether reconciliations were completed timely with appropriate supporting documentation. A reconciliation was considered late if it was completed after the applicable month's hard-close date. From a population of 72 reconciliations reviewed, we identified that all reconciliations were prepared and reviewed after the hard-close date ranging from 2 to 244 days late.

As a result, delayed reconciliations may lead to the risk that errors, omissions, unauthorized transactions, or other financial reporting discrepancies may remain undetected and uncorrected for extended periods. Additionally, the absence of timely reconciliation and monitoring processes limits management's ability to rely on financial information for decision-making and increases the likelihood that inaccurate account balances could be carried forward into subsequent reporting periods.

Recommendation: We recommend management:

- Evaluate reconciliation deadlines and available staffing to ensure expectations are achievable and consistently applied.
- Implement monitoring procedures to identify overdue reconciliations before the period is closed and report their status to the CFO each month.
- Establish escalation procedures for reconciliations that are not completed by the deadline.
- Require each reconciliation to document the preparer, reviewer, and the date of each sign-off.
- Designate backup preparers and reviewers and cross-train staff on each account.

Management Response: Management acknowledges the finding and has implemented corrective actions to strengthen the timeliness, accountability, and oversight of monthly account reconciliations.

Account reconciliations have been assigned to designated accountants, with independent reviewers responsible for verifying completeness, accuracy, and supporting documentation. Additionally, management has established a formal monthly close certification process that includes monitoring reconciliation completion against established deadlines, review of outstanding items, and escalation of delays.

The certification process requires review and sign-off by the Senior Associate Vice President of Finance Operations and the Chief Financial Officer, providing an additional level of executive oversight and accountability.

These measures are intended to ensure timely completion of reconciliations, prompt resolution of discrepancies, and improved reliability of the University's monthly financial reporting.

Responsible Party: Senior Assistant Vice President of Finance Operations

Implementation Date: September 1, 2026

Finding 2 – Moderate – Unresolved Prior-Period Adjustments

The University identifies reconciling items during the monthly reconciliation process however; management has not established formal procedures governing the timely resolution of those items. Specifically, the University has not documented requirements for clearing aging reconciling items, assigning ownership, tracking resolution status, escalating long-outstanding items, or recording adjustments within a prescribed timeframe. As a result, reconciling items remained unresolved across multiple accounting periods without evidence of consistent follow-up, review, or corrective action.

As part of the monthly reconciliation process, differences identified between account balances recorded in Banner and supporting documentation are recorded as reconciling item until resolution. Reconciling items generally require investigation and, when appropriate, correction through a journal entry or other accounting adjustment. Timely resolution of reconciling items helps ensure financial records are accurate, complete, and supported before each accounting period is closed.

Reconciling items are expected by the University's Finance and Business Administration personnel to be resolved within 30 days; however, this expectation has not been formally incorporated into University policies or procedures. Additionally, management does not maintain a centralized process for aging outstanding items or monitoring their resolution.

To evaluate whether reconciling items were resolved timely, we reviewed the reconciling items included in the November 2025, February 2026, and April 2026 account reconciliations. During testing, we identified the following errors and discrepancies:

The Payroll Account reconciliation carried the same $83,282.63 reconciling balance in all three months reviewed. Management explained that the balance consisted of older items, including payroll tax accrual adjustments, stale-dated check transactions, and a prior-year payroll accrual reversal from FY24. The reconciling items within the carried adjustment balance remained consistent through out all three months evaluated.

- The Revenue Account reconciliation included a reconciling item of $64,246.32 in November 2025 and February 2026, and $54,246.32 in April 2026. The balance consisted of identical reconciling items during November 2025 through February 2026. A transfer credit of $10,000 was removed from the balance during April 2026.

- The Operating Account reconciliation included adjustments of $32,289.53 in November 2025, $27,289.52 in February 2026, and $26,379.52 in April 2026. The adjustment balance variability is primarily driven by a $5,000 correcting entry that was removed from the balance between November 2025 and February 2026. The remaining reconciling items remained virtually unchanged through April 2026.

These items represent prior-period adjustments and accrual reversals that had not yet been recorded. However, these items remained on the reconciliations across multiple close periods, beyond the 30-day expectation for resolution, without documented aging, assigned responsibility, or evidence of follow-up.

Recommendation: We recommend that management:

- Define required timeframes for investigation and resolution.
- Require assignment of responsibility for each outstanding item.
- Maintain an aging schedule of unresolved items.
- Establish escalation requirements for items exceeding defined thresholds.
- Require sufficient supporting documentation to substantiate the nature and status of each reconciling item.
- Periodically review long-outstanding items and determine whether corrective journal entries or other actions are necessary.

Management Response: Management agrees that outstanding reconciling items should be more consistently tracked and resolved. The Controller's Office will establish clearer expectations for documenting, assigning, monitoring, and resolving reconciling items identified through the monthly reconciliation process.

Long-outstanding items will be addressed in our quarterly Balance Sheet Review process, which we conducted during October 2026 for the FY26 annual accounting close. Going forward, the Controller's Office will periodically review to determine the appropriate corrective action, including whether a journal entry or other accounting adjustment is required during our Balance Sheet Review discussions.

Responsible Party: Senior Assistant Vice President of Finance Operations

Implementation Date: March 31, 2027

Financial Close Procedures

Finding 3 – Moderate – Month-End and Annual Close Monitoring

The University uses month-end and year-end close checklists to track required close activities; however, management has not established formal requirements to ensure the checklists are complete and consistently maintained. Specifically, management has not established standard status designations, completion documentation requirements, or a process to verify that every required close activity is listed and tracked. As a result, the checklists do not provide management with a complete and reliable view of the status of the close.

The University's Month End Closing Procedures assign the Controller responsibility for creating the monthly and year-end closing schedule, maintaining the month-end close checklist, assigning tasks to departments, and confirming that items are completed. The checklist is maintained manually and serves as management's primary tool for monitoring whether required close activities are completed before each period is closed. To evaluate the design of controls of the close monitoring process, we reviewed the Month-End Close Checklists for November 2025, February 2026, and April 2026 and the FY25 Year-End Close Checklist. We identified the following:

- For 45 of 72 (63%) account reconciliations, the account was not listed on the Month-End Close Checklist and as a result, the reconciliation did not have an assigned due date or completion status.
- 19 reconciliations lacked documented preparation and/or review dates, preventing verification that the reconciliations were completed and reviewed in a timely manner.
- Checklist items were marked "TBD," left blank, or not marked complete, with no documented explanation of status.
- The FY25 Year-End Close Checklist did not document completion dates. Management indicated that evidence of completion is maintained separately within Comptroller systems, Banner, hard- copy files, reconciliations, journal entries, or email.

Without a complete and consistently maintained checklist, management cannot readily determine whether required close activities are complete, pending, or overdue, and cannot consistently ensure the close is completed before each period is closed.

Recommendation: We recommend that management:

- List every required account reconciliation and close activity on the month-end and year-end checklists, with an assigned owner and due date.
- Establish standard status designations (e.g., Not Started, In Progress, Complete, Not Applicable, Overdue).
- Require documentation of the completion date and reviewer for each activity, or reference where completion evidence is retained.
- Consider implementing automated reminders and workflow controls to assign close activities, notify preparers and reviewers of upcoming deadlines and outstanding actions, and retain evidence of sign-off.

Management Response: Management agrees that the month-end and year-end close checklists should provide a more complete and consistent view of close activities.

The Controller's Office will review and update the close checklists to better identify required activities, responsible parties, due dates, and completion status. Management will also strengthen documentation of completion and review to improve visibility into activities that are complete, pending, or overdue.

Responsible Party: Senior Assistant Vice President of Finance Operations

Implementation Date: March 31, 2027

Journal Entries

Finding 4 – High – Journal Entry Approval Authority

Management has not documented the approval authority and monetary thresholds required for journal entries. Management's journal entry preparation, documentation, and approval procedures establish requirements for preparing, supporting, reviewing, approving, and posting journal entries; however, the procedures do not define monetary approval thresholds or the corresponding approval authority.

Management stated that the Accounting Manager approves journal entries of $1 million or less, and the Controller must review and approve entries over $1 million before posting. However, there is not a system report that shows both the preparer and approver of each journal entry. There are also no monitoring procedures to confirm that the correct person approves each entry. As a result, individuals without the required authority approved journal entries over $1 million.

We analyzed the Journal Voucher Listings provided by management from September 1, 2025, through April 30, 2026, to identify journal entries over $1 million and the individuals who approved each entry. During testing, we identified 33 journal entries over $1 million, totaling $296,655,846.64 from September 1, 2025, through April 30, 2026, that were approved by individuals other than the Controller.

The individuals identified with approvals over $1 million maintained the following titles:

- Senior Accountant
- Manager of Accounting
- Grant Accountant
- Director of Research Financial Services

As a result, the University lacked assurance that high-dollar journal entries received Controller-level review prior to posting. Because the approval threshold exists only through management's verbal description, has not been formally documented, and is not monitored, journal entries with a significant impact on the University's financial statements can be posted without the review management stated is required. This increases the risk that errors, unauthorized entries, or inappropriate adjustments go undetected, and limits management's ability to demonstrate effective oversight of the journal entry process.

Recommendation: We recommend that management:

- Document monetary approval thresholds and the corresponding approval authority in the journal entry procedures.
- Evaluate whether Banner can enforce routing of journal entries over the threshold to the Controller for approval.
- Monthly, perform a quality control review of approved journal entries to confirm approvals align with documented authority.

Management Response: Management agrees that journal entry approval authority and applicable monetary thresholds should be formally documented and consistently applied.

The Controller's Office will update the University's journal entry procedures to define approval authority and monetary thresholds. Management will also evaluate available system and procedural controls to support appropriate routing and approval of higher-dollar journal entries and will periodically review journal entry approvals for compliance with established requirements.

Responsible Party: Senior Assistant Vice President of Finance Operations

Implementation Date: March 31, 2027

Objective B: Effectiveness of Controls

Ensure that controls over selected high-risk processes within the Financial Close and Reporting processes are operating efficiently and effectively.

Monthly Reconciliations

1. **Procedures Performed:** We selected a sample of 3 months across the coverage period and reviewed 72 total account reconciliations. During this review we verified the following:
   - The reconciliation was conducted in a timely manner within the established close timeline.
   - The reconciliation balance agreed to the supporting bank statement and general ledger, and that reconciling items were supported by appropriate documentation.
   - Reconciliation cover sheets contained preparer and reviewer sign-off and that completion of the reconciliation was documented on the month-end close checklist.
   - Reconciliations were prepared using a consistent format and retained with supporting documentation to support management review and financial reporting.

Results: We identified, of the 72 account reconciliations reviewed across the three months, all were completed after the applicable hard-close date, ranging from 2 to 244 days late. We additionally identified multiple reconciling items that remained unresolved across several accounting periods, including recurring balances in payroll, revenue, and operating accounts.

Finding 1 – High – Monthly Reconciliation Timeliness

Finding 2 – Moderate – Unresolved Prior-Period Adjustments

Audit Preparation

2. **Procedures Performed:** We evaluated the design of controls over the audit preparation process to determine whether management maintains complete, accurate, and organized support for external audit and regulatory reporting requirements. Specifically, we verified:
   - Supporting schedules, workpapers, and documentation were maintained and organized to support external audit and state reporting activities.
   - Roles, responsibilities, and timelines for audit coordination were clearly defined and communicated to relevant personnel.
   - Financial data submitted to external auditors and regulatory agencies was verified for completeness, accuracy, and consistency with the general ledger.
   - Management performed quality control reviews of audit schedules, disclosures, and supporting documentation prior to submission.

   Results: No findings identified.

Financial Close Procedures

3. **Procedures Performed:** We reviewed the Month-End Close Checklists for November 2025, February 2026, and April 2026, as well as the FY25 Year-End Close Checklist and verified the following:
   - Required close activities were included on the checklists and assigned completion due dates.
   - Checklist items contained consistent status indicators and evidence of completion.
   - Management maintained sufficient documentation to monitor the status of month-end and year-end close activities.

   Results: We identified 45 instances where reconciliations were not included on the Month-End Close Checklist, reconciliations lacked documented preparation and/or review dates, and checklist items contained incomplete or unclear status information without supporting explanations. In addition, the FY25 Year-End Close Checklist did not document completion dates for close activities.

   Finding 3 – Moderate – Month-End and Annual Close Monitoring

Journal Entries

4. **Procedures Performed:** We reviewed journal entry policies, procedures, and approval practices to evaluate whether journal entries were subject to approval by individuals with appropriate authority based on the nature and monetary value of the transaction. Specifically, we validated the following:
   - Journal entry approval authority and approval thresholds were documented.
   - High-dollar journal entries were approved by personnel with the appropriate level of authority.

   Results: We identified 33 journal entries over $1 million, totaling $296,655,846.64 from September 1, 2025, through April 30, 2026, that were approved by individuals other than the Controller.

   Finding 4 – High – Journal Entry Approval Authority

Appendix

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the University
- University objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
    - Reliability and integrity of financial and operational information
    - Effectiveness and efficiency of operations and programs
    - Safeguarding of assets
    - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong	The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.
Satisfactory	The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.
Unsatisfactory	The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

Texas Southern University

Internal Audit of Financial Close and Reporting

October 21, 2026

Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the University's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the University or beyond a single function or department
- Potential material impact to operations or the University's finances
- Remediation requires significant involvement from senior University management

.

Moderate Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the University
- Impact could be felt outside of the University or across more than one function of the University
- Noticeable and possibly material impact to the operations or finances of the University
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior University management to be updated

Low Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the University's strategic priorities
- Impact is limited to a single function within the University
- Minimal financial or operational impact to the University
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk