

# **Board of Regents Audit Committee Meeting**

**April 23, 2015  
Austin, Texas**



**Texas State Technical College  
Board of Regents  
Audit Committee Meeting**

**Hilton Austin  
500 E 4<sup>th</sup> Street, Room 400  
Austin, TX**

**Thursday, April 23, 2015  
10:45 a.m.**

**AGENDA**

- I. Meeting Called to Order by Audit Committee Chair Joe Gurecky**  
[Joe Gurecky, Joe Hearne, Keith Honey]
- II. Committee Chair Comments**
- III. Minute Order:**  
**Proposed MO #**
- None
- IV. Reports:**
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**V. Adjourn**



**Texas State Technical College  
Internal Audit  
Status of Fiscal Year 2015 Audit Schedule & Other Projects**

Description	Location	Status	Report No.	Report Date
<b>INTERNAL AUDITS</b>				
Disaster Recovery Test - Colleague	OIT	Complete	15-015A	9/10/2014
Safety & Security Audit	Waco	Complete	15-012A	12/4/2014
Skills Development Grant Audit	West Texas	Complete	15-006A	12/9/2014
Surprise Police Evidence Inspection	Waco	Complete	15-024A	12/10/2014
Safety & Security Audit	Harlingen	Complete	15-013A	12/12/2014
Safety & Security Audit	Ingelside	Complete	15-022A	12/18/2014
Purchasing Fraud Audit	Statewide	Complete	15-019A	1/9/2015
Skills Development Grant Audit	Marshall	Complete	15-021A	3/9/2015
Quarterly External Port Scan	OIT	Complete	15-016A	3/11/2015
Safety & Security Audit	Abilene	Complete	15-028A	3/17/2015
Safety & Security Audit	Sweetwater	Complete	15-026A	3/17/2015
Safety & Security Audit	EWCHEC (Hutto)	Complete	15-032A	3/18/2015
Safety & Security Audit	Ft. Bend	Complete	15-027A	3/18/2015
Safety & Security Audit	Marshall	In Progress		
Safety & Security Audit	Red Oak	In Progress		
VA Benefits Audit	Harlingen	In Progress		
VA Benefits Audit	Waco	In Progress		
Safety & Security Audit	Breckenridge			
Safety & Security Audit	Brownwood			
IT Security Follow-up Review	OIT			

**EXTERNAL AUDITS**

Texas Department of Public Safety: On-site Audit	Waco	Complete		5/22/2014
THECB: AY 2013 A-133 Evaluation and Desk Review	West Texas	Complete		9/25/2014
State Auditor's Office: A-133 Follow-up	Harlingen	Complete		2/27/2014
State Auditor's Office: A-133 Follow-up	Waco	Complete		2/27/2014
State Auditor's Office: A-133 Follow-up	West Texas	Complete		2/27/2014
State Auditor's Office: A-133 Testing for Statewide Single Audit (Financial Aid)	Marshall	Complete		2/27/2014
State Comptroller's Office: Post-Payment Audit	Statewide	Complete		1/8/2015
Patillo, Brown & Hill: FY 2013 & 2014 Review of Consolidated Financial Statements	Statewide	Complete		3/4/2015
MainNerve: External Network Penetration Test	OIT	In Progress		
Groover & Charbonneau: External Quality Assessment	Internal Audit	In Progress		

**OTHER INTERNAL PROJECTS**

SAO Hotline: Allegation - State and Federal financial aid was awarded fraudulently. Results - Did not find any violations of State or Federal rules.	Harlingen	Complete	15-014I	10/7/2014
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Description	Location	Status	Report No.	Report Date
Internal review of an employee's purchases to ensure they are all legitimate. Requested by management. Results - Did not identify any fraudulent purchases, and determined that management's system of internal controls was sufficient to identify attempts.	Harlingen	Complete	15-025I	1/27/2015
SAO Hotline: Allegation - College resources were misappropriated for personal use. Results - Determined that the allegation had no merit.	Waco	Complete	15-034I	3/26/2015



**Texas State Technical College  
Internal Audit  
Summary of Audit Reports**

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Abilene: Safety & Security Audit (15-028A)		No reportable exceptions noted. Specific recommendations were made to management to enhance safety procedures.				
Ft. Bend: Safety & Security Audit (15-027A)	1.	We identified two areas we feel warrant management's consideration.	Detailed in a confidential supplemental report.	The Waco management team provided comprehensive and detailed responses to the areas we noted.	Wolaver	All CAPs by August 2015
EWCHEC (Hutto): Safety & Security Audit (15-032A)	1.	We identified one area we feel warrants management's consideration.	Detailed in a confidential supplemental report.	The Waco management team provided comprehensive and detailed responses to the areas we noted.	Wolaver	All CAPs by August 2015
Sweetwater: Safety & Security Audit (15-026A)		No reportable exceptions noted. Specific recommendations were made to management to enhance safety procedures.				
Marshall: Skills Development Fund Grant Audit (15-021A)		No reportable exceptions noted. Specific recommendations were made to management to enhance accounting procedures.				
OIT: Quarterly Network Perimeter Scan Audit (15-016A)		No reportable exceptions noted.				
Independent Accountant's Review Report performed by Pattillo, Brown & Hill, L.L.P.		No reportable exceptions noted. Management Letter noted inconsistencies in the way financial statements are prepared at each campus, and that the consolidation process should be automated.				
Post- Payment Audit performed by the State Comptrollers Office	1.	Overpayment of lump sum vacation pay.	Identified one instance in which the College overpaid vacation by \$817.50 because of a keystroke error. Sixteen hours of holiday time was added to the employee's total vacation time rather than 61.	1. Process change has been implemented. 2. The employee has been requested to return the funds.	Hoekstra	Immediately Corrected
	2.	Payments not scheduled.	The College paid two invoices early. This cost the State Treasury \$157.03 in lost interest. All invoices that are greater than \$5,000 must be scheduled with the latest possible distribution date according State prompt payment guidelines.	Accounts Payable has been instructed to schedule all payments within guidelines.	Hoekstra	Immediately Corrected

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
	3.	Incorrect amount reimbursed for lodging and taxes.	One travel document reimbursed 3 employees in excess of \$499. The excess was intended to be paid using local funds, but was erroneously paid using appropriated funds.	Accounts Payable has been instructed to more thoroughly examine travel documents.	Hoekstra	Immediately Corrected
	4.	Gratuities not payable.	One travel transaction was identified in which gratuities were paid.	Accounts Payable has been instructed to more thoroughly examine travel documents.	Hoekstra	Immediately Corrected
	5.	Lack of conservation of State funds.	One instance was identified where a traveler used his personal car rather than a rental car. It would have been more cost-beneficial to use the rental car.	Business offices have been instructed to compare costs of POV vs. rental cars.	Hoekstra	Immediately Corrected
	6.	Duplicate payment.	One payment of \$175.58 was identified as a duplicate.	Accounts Payable has been instructed to not override system alerts of duplicate payments.	Hoekstra	Immediately Corrected
	7.	Freight not on purchase order.	Freight was paid on one purchase order even though it was not included on the original PO.	Business offices have been instructed to include all freight charges on the original PO.	Hoekstra	Immediately Corrected
	8.	Control Weaknesses over expenditure processing.	Four employees were identified who could adjust payment instructions in the Comptroller's system, while at the same time could approve paper vouchers.	The system has been set-up so that users who enter payment information cannot release the related batch. This control was been in place prior to this audit.	Hoekstra	Immediately Corrected

<b>Marshall: A-133 Audit (performed by the SAO)</b>	1.	Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Five of 8 students were enrolled less than full-time, however their financial aid was awarded based upon full-time. Resulted in 2 overawards totalling \$2,399. Furthermore, a personal expense was in the budget that is not allowable.	Continue to run an automated process to adjust awards based upon enrollment. The financial aid office will ensure only eligible budget components are included in the COA calculation.	Wingate, Adams	Immediately
	2.	Summary: Automated controls do not ensure Pell and loan awards are not changed manually.	Colleague does not prevent a person from manually changing award amounts.	A report will be run to ensure all awards are appropriate.	Wingate, Adams	Immediately
	3.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	Eight administrators and a vendor had administrator rights; one administrator had programming responsibilities; programmers migrate code directly to the production environment.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	Martin, Herrera	Immediately

<b>Harlingen: A-133 Follow-up Audit (performed by the SAO)</b>	1.	Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Noted that the Institution did not accurately calculate the cost of attendance for 1 of the 15 (7%) students tested.	Continue to calculate initial award on full-time enrollment, and after the census date adjust the cost of attendance to the actual enrollment level. Awards will continue to be adjusted as necessary.	Pena, Adams	Immediately
	2.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	Eight administrators and a vendor had administrator rights; one administrator had programming responsibilities; programmers migrate code directly to the production environment.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	Martin, Herrera	Immediately

<b>Waco: A-133 Follow-up Audit (performed by the SAO)</b>	1.	Summary: All information that is required to be verified was not always done so accurately.	One student's ISIR was not updated. Did not result in an overpayment.	Verification was outsourced to EdFinancial in April 2013. College staff will periodically verify a random sample. Additionally a management report has been created.	Adler, Adams	Immediately
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Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
	2.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	Eight administrators and a vendor had administrator rights; one administrator had programming responsibilities; programmers migrate code directly to the production environment.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	Martin, Herrera	Immediately
<b>West Texas: A-133 Follow-up Audit (performed by the SAO)</b>	1.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	Eight administrators and a vendor had administrator rights; one administrator had programming responsibilities; programmers migrate code directly to the production environment.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	Martin, Herrera	Immediately



**Texas State Technical College  
Internal Audit  
Follow Up Schedule & Status**

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
<b>December 2010 Attestation Disclosure, Herrera</b>	1. TSTC provides internet service to members of the West Texas Telecommunications Consortium (WTTC). In 2008, WTTC was cited for an FCC violation in an external audit because the audit concluded that WTTC "surrendered control of its competitive bidding process" to TSTC because a TSTC employee sat on the WTTC board at the time. However, the audit went on to conclude that the selection of TSTC was the most cost effective bid. Nevertheless, as a result of this audit finding, the funding agency has indicated in letters to both TSTC and WTTC that \$589 thousand may be required to be repaid. The certainty of that requirement is yet unknown.	TSTC and WTTC issued an attorney drafted joint appeal on January 11, 2011, to the funding agency in an attempt to 1) clarify the audit finding, and 2) appeal the ruling that the money may need to be repaid. This appeal is based primarily on the facts that no negative monetary effect was felt by WTTC, and the TSTC employee who was on the Board did not actually participate in any part of the bid process. The appeal also included affidavits from 4 WTTC Board members, the WTTC WAN Director, and the TSTC employee that state the TSTC employee did not participate in the bidding or selection process.	<b>On-going:</b> As of 11/25/14, we had not received a response on our appeal to the finding from the FCC. TSTC General Counsel spoke with our outside counsel on the matter and outside counsel indicated that the FCC is severely backlogged on appeals. They are just now reviewing appeals filed in 2006. Internal Audit will leave this on the follow-up schedule until the appeal has been heard. This may take several years.	We are still pending a ruling from the FCC on the matter.	Still awaiting FCC response
<b>Harlingen, Waco, Marshall, WT, Sys Ops: Employee Time Reporting Audit, Hoekstra/Prepejchal/Contella/Hill/Maler/Love</b>	1. The forms used to report time should be enhanced to capture more information on the compensatory time that is being requested so as to assist HOD with verifying the time calculation. This would benefit employees by further ensuring they are credited with the correct amount of compensatory time.	1.2 HOD will review (and revise if necessary) all existing policies and procedures related to leave and compensatory time to ensure compensatory time is handled consistently throughout the System.	<b>On-going:</b> 10/1/14: With Single Accreditation activities on going, management is determining the appropriate manner to proceed. Some preliminary steps have taken place, such as forming a committee to define the project scope, and a year-end adjustment is being made to account for compensatory time.		TBD
		1.3 Depending on availability of IT programming personnel, HOD will facilitate enhancements of the current leave system to accommodate automation of compensatory time recording and calculation.	<b>See above comments</b>		TBD
		1.4 Once the method for time reporting is determined, System-wide training will be implemented.	<b>See above comments</b>		TBD

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
<b>Harlingen: A-133 Audit (performed by the SAO), Pena, Adams, Martin, Herrera</b>	1.	Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Continue to calculate initial award on full-time enrollment, and after the census date adjust the cost of attendance to the actual enrollment level. Awards will continue to be adjusted as necessary.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
	2.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
<b>Waco: A-133 Audit (performed by the SAO), Adler, Adams, Martin, Herrera</b>	1.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
	2.	Summary: All information that is required to be verified was not always done so accurately.	Verification was outsourced to EdFinancial in April 2013. College staff will periodically verify a random sample. Additionally a management report has been created.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
<b>West Texas: A-133 Audit (performed by the SAO), Adams, Martin, Herrera</b>	1.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
<b>Marshall: A-133 Audit (performed by the SAO), Sanders, Adams, Herrera</b>	1.	Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Continue to run an automated process to adjust awards based upon enrollment. The financial aid office will ensure only eligible budget components are included in the COA calculation.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
	2.	Automated controls do not ensure Pell and loan awards are not changed manually.	A report will be run to ensure all awards are appropriate.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016
	3.	Summary: The College did not maintain adequate access controls over financial aid functions in Colleague.	A. Revoke access. B. Reduce administrator rights to only 3 individuals. C. Remove the ability for programmers to migrate code to the production environment. D. Require mandatory account reviews, and sample accounts to ensure access is appropriate.	<b>03/24/15:</b> SAO will perform follow-up testing beginning in July 2015. Those results will not be final until February 2016.		2/1/2016

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Harlingen, Waco, West Texas, Marshall: Student Recruiting Audit, Kilgore		1. Summary for all four audits: The process for tracking recruiting goals should be enhanced, and access to the system that assists with tracking prospects needs to be better restricted.	Summary of Management CAPs: Realistic recruiting goals will be established and monitored.	<b>Pending Review:</b> On September 24, VC Kilgore presented the recruiting plan under the consolidated model. The plan includes attending various events, hosting visitors, centralizing purchasing and travel processes, developing a statewide team, centralizing prospective student processings, creating phone/email/text standards, and developing a single metric system and engagement report. Internal Audit will follow-up on the progress of these activities in Spring 2015 to ensure they are normalizing. The development of a state-wide comprehensive strategic marketing plan is underway. This comprehensive plan will include and integrate plans for state-wide recruitment, fundraising and career services. All plans will include strategy, goals, tactics, assignments, timelines and metrics.		TBD
Central Administration: Bond Audit (14-028A), Hoekstra		1. Procedures should be improved which ensure post issuance compliance is continually achieved. These procedures should include implementing written policies and procedures with a responsible person identified within them, monitoring of private business use of bond financed facilities, and revisiting record keeping and retention procedures for documents related to bonds	1.1 TSTC is dedicating ongoing resources towards management of bond compliance within the new organization structure for Finance. Management is currently defining the job responsibilities and expectations for the position that will conduct this work. Within the restructuring of positions occurring through TSTC's functional restructuring, management will repurpose an existing role to incorporate these new responsibilities. This resource will evaluate the audit recommendations and make more precise estimates regarding implementation of response plans.	<b>On-going:</b> 01/06/15: Management has assigned oversight responsibilities and developed a projected timeline to complete post issuance bond compliance policies and procedures and related record keeping by July 2015. Monitoring of private business use of bond financed facilities will be on-going for all facilities. Furthermore, documentation of past bond issuances will be researched to determine whether compliance exposure is present with an expected completion date of December 2015.	03/17/15: Management indicated they are in the process of writing an SOS for post bond compliance to possibly include pre-bond compliance. Procedures on post bond compliance have been drafted and are currently in the process of suggesting duties to the various areas.	TBD
Harlingen: Safety & Security Audit (15-013A), Garcia		1. We identified three areas we feel warrant management's consideration.	The Harlingen management team provided comprehensive and detailed responses to the areas we noted.	<b>On-going:</b> General safety and other training has begun.		5/31/2015
Ingleside: Safety & Security Audit (15-022A), Garcia		1. We identified two areas we feel warrant management's consideration.	The Harlingen management team provided comprehensive and detailed responses to the areas we noted.	<b>On-going:</b> General safety and other training has begun.		5/31/2015
Waco: Safety & Security Audit (15-012A), Wolaver		1. We identified four areas we feel warrant management's consideration.	The Waco management team provided comprehensive and detailed responses to the areas we noted.	<b>On-going:</b> A committee headed by Sarah Patterson has been established to implement improvements and monitor progress.		8/31/2015

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
West Texas: Skills Development Fund Grant Audit (15-006A), Hyde	1.	We identified several exceptions related to this specific grant that should be addressed prior to it being closed out. Going forward, the processes which allowed these exceptions to occur should be enhanced.	1.1 All reporting errors will be corrected before the grant is closed out. 1.2 All credit will be awarded to course completers before the grant is closed out. 1.3 Going forward, we will ensure all contracts are properly executed. 1.4 Request a grant extension.	<b>On-going:</b> The Statewide Office of Sponsored Programs has taken over management of this and all grants. This grant has been extended to allow all training to take place. In our follow-up on March 20, we noted that documentation exceptions have received attention, however, management is still in the process of curing all past exceptions. We will perform another follow-up in July.		12/31/2015
Ft. Bend: Safety & Security Audit (15-027A), Wolaver	1.	We identified two areas we feel warrant management's consideration.	The Harlingen management team provided comprehensive and detailed responses to the areas we noted.	<b>On-going:</b> A committee headed by Sarah Patterson has been established to implement improvements and monitor progress.		8/31/2015
Hutto: Safety & Security Audit (15-032A), Wolaver	1.	We identified one area we feel warrants management's consideration.	The Harlingen management team provided comprehensive and detailed responses to the areas we noted.	<b>On-going:</b> A committee headed by Sarah Patterson has been established to implement improvements and monitor progress.		8/31/2015





**Internal Audit Department**

**Audit Report**

**Safety & Security Audit  
of  
TEXAS STATE TECHNICAL COLLEGE  
Abilene Campus**

**March 17, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

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Internal Audit completed a comprehensive audit of safety and security policies and processes at the Abilene campuses of TSTC as of February 28, 2015.

The purpose of the audit was to verify the existence of comprehensive policies and procedures that assist with

protecting both students and employees. Because of the numerous risks the campus faces, we utilized checklists developed by the Texas School Safety Center for use by community colleges. Community colleges are required by TEC 37.108(b) to conduct and report a safety audit every 3 years. While this regulation does not specifically apply to TSTC, the checklist is relevant.

We tested the following areas in this audit:

- Behavioral assessment/correction policies and procedures,
- Physical characteristics of all facilities (instructional and administrative) which affect safety/security,
- Fire/emergency responder related issues,
- Alarms, security cameras, emergency phones, and panic buttons,
- Landscaping,
- Access controls to facilities,
- Police policies and procedures,
- Emergency Management/Business Continuity policies and procedures,
- Lab safety for students and employees,
- Transportation safety and related policies,
- Food service safety and related procedures,
- Other general policies and procedures that have been implemented to achieve safety (sexual harassment/assault, timely warning, emergency closing, etc.), and
- Emergency communications processes.

We conducted observations in 3 instructional/administrative buildings and student labs as they were in session. There are no residential facilities.

Based on our audit work, we feel the campus has developed and put into place comprehensive and robust safety measures. Some examples include actively monitoring the campus's safety performance, utilizing the ATEMS (Academy of Technology, Engineering, Math & Science) high school Resource School

Officer, and the implementation of numerous safety related policies and procedures.

A more detailed list of our positive observations is located in the general observations section of this report.

Because of the sheer number of procedures and various facilities observed in this audit, we identified several items that should be corrected. Most of these observations were simply overlooked by management, so accordingly we made recommendations to address the minor deficiencies. For example, we identified stairwells were not numbered, some areas were cluttered which could be a tripping/fire hazard, some fire extinguishers were not hung up, some exit signs were not properly lit, and some buildings do not have emergency lighting. In addition, we identified an electric oven in a break room that was not properly vented, and a small amount of chemicals that were improperly stored and had not been inventoried. Although the lab does not belong to TSTC, both parties were in agreed this needed to be addressed. Most of these observations were isolated occurrences in individual buildings, easily remedied, and/or did not represent issues pervasive throughout the entire campus. We felt that these observations did not warrant being communicated to the Board in detail given their nature, but we gave this list to the management team.

## Introduction

Campus safety and security is the single most important objective at any educational institution. Without adequate safety processes, all other objectives are put at risk.

TSTC Abilene is comprised of a Main Campus, the T&P building and the Abilene Hangar. The Main Campus is a two-story structure that consists of college and high school instruction. TSTC owns the building and occupies most of the first floor and ATEMS high school occupies a portion of the first floor for administration and the entire second floor for instructional purposes; this facility houses student services and mostly computer related programs. The T&P building houses the Culinary Arts program and Corporate College and is located in a historic freight warehouse in downtown Abilene. The Abilene Hangar, a 30,000-foot hangar, is located on the Abilene Regional Airport property and houses the Aviation Maintenance Technology program. The hangar houses six airplanes and two helicopters, as well as engines and equipment of all types approved by the Federal Aviation Administration (FAA).

Collectively, there are a couple hundred employees, students, and visitors on the campuses on a daily basis. The technologies taught at TSTC pose inherent safety risks to both employees and students. These include chemical burns, fires and explosions, falling objects and people, cuts, dismemberment, electrocution, and death. In addition to risks created by instruction, the campus is subject to airplane crashes, criminal activity, maintenance accidents, workplace injuries, and terrorist events.

Given the number of risks that exists, it is impossible to list, let alone address, all of them. Nevertheless, the campus has implemented a comprehensive safety program that employs monitoring, education, and policies. To achieve a safe environment, it requires all employees and students to follow established policies and procedures, and to use common sense. To assist, the Main Campus utilizes the ATEMS Resource School Officer, and due to the size, people traffic and budget constraints, all three locations rely on the City of Abilene's local law enforcement which is located within 1.5 miles, less than 1 mile and approximately 3 miles from the Main Campus, T&P Building and Abilene Hangar, respectively.

## Objectives

The objectives of the audit were to ensure student and employee safety and security are being achieved on the Abilene campuses, and that policies and procedures are in place to ensure on-going safety.

## Scope & Methodology

The scope of our audit included all safety related policies and procedures, physical characteristics of all buildings, instructional lab practices, police department practices, crime and fire reports, emergency communication procedures, and food safety practices. Given the size of the campus and the infinite number of safety risks that exists, this audit was not intended to verify all risks. It was intended to identify common ones that are known to exist on this campus and institutions of higher education in general.

To accomplish our objectives, we utilized a safety checklist developed by the Texas School Safety Center. It addressed common risks found on institutions of higher education. It was developed using numerous State and Federal resources. Our method of testing primarily consisted of observation, inquiry, and policy review. We also inquired about the handling of all sexual assaults reported on the 2014 Campus Crime report. [NOTE: None were reported in West Texas].

## General Observations

We observed numerous positive practices that help ensure safe and secure campuses. The following is a list of several of them:

- The campuses actively monitor its safety performance and stress the importance of safety to employees and students.
- Instructors are enforcing protective equipment and safety practices in labs. Additionally, safety training is conducted prior to students engaging in labs.
- Fire extinguishers are deployed throughout the campuses.
- Locked doors and key tracking procedures are in place.
- An emergency communications system has been implemented which uses text messaging, e-mails, and phone calls to alert employees and students of emergency situations. People must opt out from receiving the communications.
- Comprehensive safety related policies are in place. Some of the more extensive ones include a Business Continuity Plan, Sexual Assault and Harassment Policies, Personal Protective Equipment Policy, and a policy on the Campus Security Act.
- An annual Campus Safety Report is prepared and published. The report lists certain reported crimes that occurred on the campus.
- Artificial defibrillator devices (AED's) are deployed in some buildings and management is considering purchasing additional AED's.
- We noted an overwhelming attitude and awareness of safety throughout the campus, particularly with staff and instructors.

## Summary of Finding


No reportable issues were found.

## Opinion

Based on the audit work performed, the campus has implemented appropriate safety and security practices to ensure students and employees are reasonably safe. In my opinion, the campus is not only safe, but has the appropriate procedures in place to ensure it remains that way.

We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

17 Mar 2015  
Date



**Internal Audit Department**

**Audit Report**

**Safety & Security Audit  
of  
TEXAS STATE TECHNICAL COLLEGE  
Ft. Bend Technical Center**

**March 18, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

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Internal Audit completed a comprehensive audit of safety and security policies and processes at the Ft. Bend Technical Center of TSTC as of January 31, 2015.

The purpose of the audit was to verify the existence of comprehensive policies and procedures that assist with protecting both students and employees.

Because of the numerous risks the campus faces, we utilized checklists developed by the Texas School Safety Center for use by community colleges. Community colleges are required by TEC 37.108(b) to conduct and report a safety audit every 3 years. While this regulation does not specifically apply to TSTC, the checklist is relevant.

We tested the following areas in this audit:

- Behavioral assessment/correction policies and procedures,
- Physical characteristics of all facilities (instructional, administrative, residential) which affect safety/security,
- Fire/emergency responder related issues,
- Alarms, security cameras, emergency phones, and panic buttons,
- Landscaping,
- Access controls to facilities,
- Security policies and procedures,
- Emergency Management/Business Continuity policies and procedures,
- Lab safety for students and employees,
- Transportation safety and related policies,
- Emergency communications processes, and
- Other general policies and procedures that have been implemented to achieve safety (sexual harassment/assault, timely warning, emergency closing, etc.).

We conducted observations in the 3 labs and 2 classrooms utilized by TSTC at the Wharton County Junior College (WCJC) campus in Richmond, TX.

Based on our audit work, we feel the Ft. Bend Technical Center is governed by comprehensive safety policies, and has put into place robust safety measures. Some examples include security officers on the campus, numerous safety related policies and procedures, and active student behavioral assessments. We also determined that instructors in the three programs taught in Ft.

Bend are active in ensuring their students are safe. A more detailed list of our positive observations is located in the general observations section of this report.

We identified a few minor exceptions that we communicated to management but did not include in this report. We also identified two issues, related to those identified in Waco, that are presented in a supplemental report. These issues will be followed up on by us to ensure appropriate corrective actions are taken.

## Introduction

Campus safety and security is the single most important objective at any educational institution. Without adequate safety processes, all other objectives are put at risk.

The Fort Bend Technical Center opened its doors in August 2001 in Richmond. The state-of-the-art technical facility provides targeted curriculum plans in one of the State's fastest-growing areas. TSTC utilizes 3 labs and 2 classrooms in the facility owned and primarily occupied by WCJC. TSTC offers degrees and certificates in A/C and Refrigeration, Mechanical Engineering Technology, and Diesel Equipment Repair. The campus is bordered by F.M. 1640, a railroad, and single family residences and farmland.

The most prevalent risks are those associated with the technologies taught by TSTC. These risks include electrocution, cuts, scrapes, broken bones, eye injuries, and fires. Other risks, such as those posed by outside factors are generally controlled by WCJC, but TSTC does have measures in place to control them to an extent. The Ft. Bend Technology Center is currently an extension of TSTC Waco. As such, TSTC Waco provides oversight.

## Objectives

The objectives of the audit were to ensure student and employee safety and security are being achieved at the Ft. Bend Technical Center, and that policies and procedures are in place to ensure on-going safety.

## Scope & Methodology

The scope of our audit included all safety related policies and procedures, physical characteristics of all facilities used by TSTC, security officials' practices, crime and fire reports, and emergency communication procedures.



To accomplish our objectives, we utilized a safety checklist developed by the Texas School Safety Center. It addressed common risks found on institutions of higher education. It was developed using numerous State and Federal resources. Our method of testing primarily consisted of observation, inquiry, and policy review. We tested all facilities utilized by TSTC.

## General Observations

We observed numerous positive practices that help ensure safety. The following is a list of several of them:

- WCJC employs security officers that are always available when classes are being taught. The Richmond police and fire departments are also readily available.
- The instructors take active roles in ensuring their students are safe during instruction by enforcing protective equipment and safety practices in labs. Additionally, safety training is conducted prior to students engaging in labs.
- Fire extinguishers, fire alarms, periodic fire drills, first aid kits, and eye washes are deployed.
- Locked doors and key tracking are in place.
- An emergency communications system has been implemented which uses text messaging, e-mails, and phone calls to alert employees and students of emergency situations. People must opt out from receiving the communications.
- Comprehensive safety related policies are in place. Some of the more extensive ones include a Business Continuity Plan, Emergency Operations Plan, Sexual Assault and Harassment Policies, Personal Protective Equipment Policy, and a policy on the Campus Security Act.
- An annual Campus Safety Report is prepared and published. The report lists certain reported crimes that occurred on the campus.
- Material Safety Data Sheets are generally maintained of chemicals that are stored by TSTC employees.
- An artificial defibrillator device owned by WCJC is available.
- We noted an overwhelming attitude and awareness of safety by the instructors.

## Summary of Finding

We identified two areas we feel warrant management's consideration. These areas are detailed in a supplemental report.



### Opinion

Based on the audit work performed, the Ft. Bend Technical Center has implemented appropriate safety and security practices to ensure students and employees are reasonably safe. The issues cited in the finding are best characterized as enhancements to current procedures, and are not observations of neglect. In my opinion, the campus is not only safe, but has the appropriate procedures in place to ensure it remains that way.

We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:

Jason D. Mallory, CPA, CIA

15 Mar 2015

Date

### AUDIT FINDING DETAIL

Finding #1: We identified two areas we feel warrant management's consideration. These areas are detailed in a supplemental report.

*To protect the safety of students and employees, our detailed observations and management's corrective action plans are detailed in a separate supplemental report that is considered confidential in accordance to Section 3.07, §551.076 of the Texas Government Code.*



**Internal Audit Department**

**Audit Report**

**Safety & Security Audit  
of**

**TEXAS STATE TECHNICAL COLLEGE  
East Williamson County Higher Education Center**

**March 18, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

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Internal Audit completed a comprehensive audit of safety and security policies and processes at the East Williamson County Higher Education Center (EWCHEC) in Hutto as of February 28, 2015.

The purpose of the audit was to verify the existence of comprehensive policies and procedures that assist with

protecting both students and employees. Because of the numerous risks the campus faces, we utilized checklists developed by the Texas School Safety Center for use by community colleges. Community colleges are required by TEC 37.108(b) to conduct and report a safety audit every 3 years. While this regulation does not specifically apply to TSTC, the checklist is relevant.

We tested the following areas in this audit:

- Behavioral assessment/correction policies and procedures,
- Physical characteristics of all facilities (instructional, administrative, residential) which affect safety/security,
- Fire/emergency responder related issues,
- Alarms, security cameras, emergency phones, and panic buttons,
- Landscaping,
- Access controls to facilities,
- Security policies and procedures,
- Emergency Management/Business Continuity policies and procedures,
- Lab safety for students and employees,
- Transportation safety and related policies,
- Emergency communications processes, and
- Other general policies and procedures that have been implemented to achieve safety (sexual harassment/assault, timely warning, emergency closing, etc.).

We conducted the audit throughout the entire EWCHEC facility even though other colleges use that facility. Our rationale for doing this is because TSTC owns the building.

Based on our audit work, we feel EWCHEC is governed by comprehensive safety policies, and management has put into place robust safety measures. Some examples include a full-time police officer hired by Temple College, numerous safety related policies and procedures, and active student behavioral

assessments. We also determined that instructors are active in ensuring their students are safe. A more detailed list of our positive observations is located in the general observations section of this report.

We identified a few minor exceptions that we communicated to management but did not include details in this report because they are easily remedied. The most common example was the need to place signs above each fire extinguisher so that their locations could be easily identified during an emergency. We also identified one issue that is presented in a supplemental report. This issue will be followed up on by us to ensure appropriate corrective actions are taken.

## Introduction

Campus safety and security is the single most important objective at any educational institution. Without adequate safety processes, all other objectives are put at risk.

The East Williamson County Higher Education Center opened its doors in 2013. TSTC, Temple College, and Texas A&M Central Texas offer courses at the location. TSTC offers associate degree and certificate programs in air conditioning, culinary arts, industrial systems & engineering technology, electrical construction, plumbing & pipefitting, mechanical engineering, machining, and welding. The center is housed in the new 112,000 square-foot facility located on 57 acres in Hutto.

The most prevalent risks are those associated with the technologies taught by TSTC. These risks include electrocution, cuts, scrapes, broken bones, eye injuries, and fires. Temple College performs safety inspections and some related training, and has a police officer on campus during business hours. EWCHEC is currently under the supervision of the Interim President of TSTC Waco. As such, TSTC Waco provides oversight.

## Objectives

The objectives of the audit were to ensure student and employee safety and security are being achieved at EWCHEC, and that policies and procedures are in place to ensure on-going safety.

## Scope & Methodology

The scope of our audit included all safety related policies and procedures, physical characteristics of all facilities used by

TSTC, security officials' practices, crime and fire reports, and emergency communication procedures. To accomplish our objectives, we utilized a safety checklist developed by the Texas School Safety Center. It addressed common risks found on institutions of higher education. It was developed using numerous State and Federal resources. Our method of testing primarily consisted of observation, inquiry, and policy review. We tested the entire EWCHEC facility since it is owned by TSTC.

## General Observations

We observed numerous positive practices that help ensure safety. The following is a list of several of them:

- Temple College employs a licensed police officer and security officer that are always on campus when classes are being taught. The Hutto police and fire departments are also readily available.
- The instructors take active roles in ensuring their students are safe during instruction by enforcing protective equipment and safety practices in labs. Additionally, safety training is conducted prior to students engaging in labs.
- Fire extinguishers, fire alarms, first aid kits, and eye washes are deployed.
- Electronic locks on exterior doors are used.
- The facility is equipped with a public address system, and a centralized emergency system that would lock the campus in the case of an emergency.
- An emergency communications system has been implemented which uses text messaging, e-mails, and phone calls to alert employees and students of emergency situations. People must opt out from receiving the communications.
- Comprehensive safety related policies are in place. Some of the more extensive ones include a Business Continuity Plan, Emergency Operations Plan, Sexual Assault and Harassment Policies, Personal Protective Equipment Policy, and a policy on the Campus Security Act.
- An annual Campus Safety Report is prepared and published. The report lists certain reported crimes that occurred on the campus.
- Material Safety Data Sheets are generally maintained.
- Artificial defibrillator devices owned by Temple College are available throughout the facility.

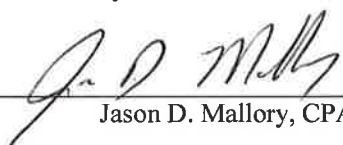
### Summary of Finding

We identified one area we feel warrants management's consideration. This is detailed in a supplemental report.

### Opinion

Based on the audit work performed, appropriate safety and security practices have been implemented at EWCHEC. Recommendations detailed in the finding would only strengthen the current practices and ensure they remain engrained in the culture. We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

18 Mar 2015  
Date

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### AUDIT FINDING DETAIL

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Finding #1: We identified one area we feel warrants management's consideration. This is detailed in a supplemental report.

*To protect the safety of students and employees, our detailed observation and management's corrective action plan are detailed in a separate supplemental report that is considered confidential in accordance to Section 3.07, §551.076 of the Texas Government Code.*



**Internal Audit Department**

**Audit Report**

**Safety & Security Audit  
of  
TEXAS STATE TECHNICAL COLLEGE  
Sweetwater Campus**

**March 17, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**



## Executive Summary

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Internal Audit completed a comprehensive audit of safety and security policies and processes at the Sweetwater campus of TSTC as of February 28, 2015.

The purpose of the audit was to verify the existence of comprehensive policies and procedures that assist with

protecting both students and employees. Because of the numerous risks the campus faces, we utilized checklists developed by the Texas School Safety Center for use by community colleges. Community colleges are required by TEC 37.108(b) to conduct and report a safety audit every 3 years. While this regulation does not specifically apply to TSTC, the checklist is relevant.

We tested the following areas in this audit:

- Behavioral assessment/correction policies and procedures,
- Physical characteristics of all facilities (instructional, administrative, residential) which affect safety/security,
- Fire/emergency responder related issues,
- Alarms, security cameras, emergency phones, and panic buttons,
- Landscaping,
- Access controls to facilities,
- Police policies and procedures,
- Emergency Management/Business Continuity policies and procedures,
- Lab safety for students and employees,
- Transportation safety and related policies,
- Food service safety and related procedures,
- Other general policies and procedures that have been implemented to achieve safety (sexual harassment/assault, timely warning, emergency closing, etc.), and
- Emergency communications processes.

We conducted observations in over 20 instructional and administrative buildings, 2 vacant buildings, numerous student labs as they were in session, student residence facilities, the student center, and police operations.

Based on our audit work, we feel the campus has developed and put into place comprehensive and robust safety measures. Some examples include actively monitoring the campus's safety performance, having a full-time police department located on

campus and the implementation of numerous safety related policies and procedures.

A more detailed list of our positive observations is located in the general observations section of this report.

Because of the sheer number of procedures and facilities observed in this audit, we identified several items that should be corrected. Most of these observations were simply overlooked by management, so accordingly we made recommendations to address the minor deficiencies. For example, we observed some areas/offices were cluttered which could be a tripping/fire hazard, some fire extinguishers that had not been inspected within the year, some exit signs were either missing or were not properly lit, and most buildings did not have emergency lighting. Most of these observations were isolated occurrences in individual buildings, can be easily remedied, and/or did not represent issues pervasive throughout the entire campus. We felt that these observations did not warrant being communicated to the Board in detail given their nature, but we gave this list to the management team.

## Introduction

Campus safety and security is the single most important objective at any educational institution. Without adequate safety processes, all other objectives are put at risk.

TSTC's Sweetwater campus encompasses approximately 64 acres of land that holds over 20 instructional/administrative buildings and 3 types of student residential facilities totaling 84 units, which includes 1 and 2 bedroom units. At full capacity, units can house 216 students. There are several hundred employees, students, and visitors on campus on a daily basis. The campus is located adjacent to the City of Sweetwater Airport and just three miles west of historic downtown Sweetwater.

The technologies taught at TSTC pose inherent safety risks to both employees and students. These include chemical burns, fires and explosions, falling objects and people, cuts, dismemberment, electrocution, and death. In addition to risks created by instruction, the campus is subject to airplane crashes, criminal activity, maintenance accidents, athletic and workplace injuries, and terrorist events.

Given the number of risks that exists, it is impossible to list, let alone address, all of them. Nevertheless, the campus has implemented a comprehensive safety program that employs monitoring, education and policies. To achieve a safe

environment, it requires all employees and students to follow established policies and procedures, and to use common sense. To assist, the campus employs a full-time police force. In addition, the Sweetwater Police Department and 2 Fire Stations are located approximately 4 miles away.

## Objectives

The objectives of the audit were to ensure student and employee safety and security are being achieved on the Sweetwater campus, and that policies and procedures are in place to ensure on-going safety.

## Scope & Methodology

The scope of our audit included all safety related policies and procedures, physical characteristics of all buildings, instructional lab practices, police department practices, crime and fire reports, emergency communication procedures, and food safety practices. Given the size of the campus and the infinite number of safety risks that exists, this audit was not intended to verify all risks. It was intended to identify common ones that are known to exist on this campus and institutions of higher education in general.

To accomplish our objectives, we utilized a safety checklist developed by the Texas School Safety Center. It addressed common risks found on institutions of higher education. It was developed using numerous State and Federal resources. Our method of testing primarily consisted of observation, inquiry, and policy review. We also inquired about the handling of all sexual assaults reported on the 2014 Campus Crime report. [NOTE: None were reported in West Texas].

## General Observations

We observed numerous positive practices that help ensure a safe and secure campus. The following is a list of several of them:

- The campus actively monitors its safety performance and stresses the importance of safety to employees and students.
- A full-time police department is located on campus.
- Instructors are enforcing protective equipment and safety practices in labs. Additionally, safety training is conducted prior to students engaging in labs.
- Fire extinguishers, fire alarms, periodic fire drills, first aid kits, and eye washes are deployed throughout the campus.
- Locked doors and key tracking procedures are in place.
- An emergency communications system has been implemented which uses text messaging, e-mails, and phone

calls to alert employees and students of emergency situations. People must opt out from receiving the communications.

- Comprehensive safety related policies are in place. Some of the more extensive ones include a Business Continuity Plan, Sexual Assault and Harassment Policies, Personal Protective Equipment Policy, and a policy on the Campus Security Act.
- An annual Campus Safety Report is prepared and published. The report lists certain reported crimes that occurred on the campus.
- Material Safety Data Sheets of chemicals that are stored on campus are being maintained.
- There is a full-time physical plant department who ensures all buildings that are currently used are appropriately maintained.
- Artificial defibrillator devices (AED's) are deployed in some buildings and management is considering purchasing additional AED's.
- We noted an overwhelming attitude and awareness of safety throughout the campus, particularly with staff and instructors.

### Summary of Finding

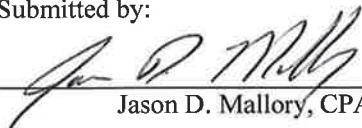
No reportable issues were found.

### Opinion

Based on the audit work performed, the campus has implemented appropriate safety and security practices to ensure students and employees are reasonably safe. In my opinion, the campus is not only safe, but has the appropriate procedures in place to ensure it remains that way.

We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

17 Mar 2015  
Date



**Internal Audit Department**

**Audit Report**

**Skills Development Fund Grant Audit  
of  
TEXAS STATE TECHNICAL COLLEGE  
Marshall Campus**

**March 9, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

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Internal Audit has audited the Skills Development Fund Grant 0814SDF000 (Grant) issued by the Texas Workforce Commission to the Marshall campus (College). Its original amount was \$70,928, and was issued in August 2014. Our audit included transactions through December 31, 2014.

The purpose of the audit was to ensure compliance to major Grant provisions. Those provisions included the amount and type of training that must be provided to the business partner, the number of people that must be trained, and the mix of training to be provided. They also included reporting requirements and processes.

Our tests were designed to ensure that all training TSTC reported actually took place, that appropriate supporting documentation was on file, and that reports were accurate and submitted timely. We also verified participants received credit for courses they completed, all reimbursed administrative costs were allowable and properly supported, instructors' pay was correct, and all relevant contracts were on file and properly executed.

Our testing revealed that the type of classes being taught was within the Grant's provisions, and that reported costs are allowable. We also determined through direct confirmation with students that actual training was being performed.

Eleven months still remained on this grant at the conclusion of our audit. Our testing revealed that the College is currently on pace to provide the required number of training hours, appropriate documentation is on file, and equipment purchases are both allowable and supported. We noted that no cash draws had yet taken place on this grant, and some reported information was incomplete. Those observations were forwarded to management, but did not warrant comment in this report because they did not represent non-compliance issues at the time of this audit.

## Introduction

The Texas Workforce Commission awarded the College a Skills Development Fund Grant worth \$70,928 to perform industry related training to Genpak, LLC, a food package company with a plant in Longview. The purpose of the Grant is to assist Genpak with overcoming a skills deficiencies, develop processes to train new employees, and provide a means for the business to increase and improve its workforce. To that end, courses in electronics, industrial maintenance, instrumentation, mechanics, and program

logic controls are being taught by College instructors. As of December 2014, 16 Genpak employees had received training. It began on August 2014 and terminates on January 31, 2016. At the time of our testing, the College was on schedule to satisfy the terms of the Grant.

### Objectives

The purpose of the audit was to ensure compliance to major Grant provisions, and to verify appropriate processes were in place to support all reported costs.

### Scope & Methodology

The scope of our audit included all Grant transactions from August 2014 through December 2014. To accomplish our objectives, we verified the amount and type of training was appropriate, the number of people trained was adequate, and the mix of training was appropriate. We tested monthly reports, analyzed various processes, recalculated reimbursed costs (tuition and administrative), and verified course participation was evidenced by certified rosters, sign in sheets, and applications. Finally, we ensured all participants were granted credit for successfully completing courses, and that related contracts were in place and appropriately executed.

### General Observations

Overall, the Grant is well managed. The College has the required supporting documentation on file, contracts were properly executed, participants have been awarded credit in Colleague, equipment purchases were allowable and supported, and instructor salaries were appropriate. As part of the single accreditation process, all financial grant reporting will be combined under one office.

### Summary of Finding

No material exceptions were noted.

### Opinion

Based on the audit work performed, major provisions of the Grant are being achieved. We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:



Jason D. Mallory, CPA, CIA



Date



**Internal Audit Department**

**Audit Report**

**Quarterly Network Perimeter Scan Audit  
of  
TEXAS STATE TECHNICAL COLLEGE  
Office of Information Technology**

**March 11, 2015**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**



## Executive Summary

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Internal Audit completed an audit of the quarterly network perimeter scan performed by the Office of Information Technology (OIT) as of February 28, 2014.

The purpose of the audit was to verify quarterly scans are performed on the TSTC network, results are appropriately

acted upon to close actual security gaps, and that information generated by the scans is appropriately restricted. The Office of Information Security is responsible for the scan, and delegates action plans to various other OIT areas as they deem necessary.

Our testing revealed that the scans are being performed on a consistent basis, gaps are not only being reviewed but are also being closed, and all information generated by the scans is secured and treated as confidential.

## Introduction

The Texas Department of Information Resources (DIR) is a State agency whose purpose is to assist other agencies with technology needs. TSTC takes advantage of a free network scan provided by DIR which identifies and reports potential vulnerabilities that might put information on our network at risk. TSTC's Director of Information Security is responsible for engaging and facilitating this quarterly service.

FusionVM developed by Critical Watch is the software utilized by DIR to perform the scan. All IP addresses provided by TSTC are scanned, however, the number of ports scanned is unknown because Critical Watch considers that information proprietary. While it is certain that all 130 thousand IP addresses are scanned, we suspect that at only the first 1 thousand of 64 thousand ports per IP address are scanned since they are typically the only ones used.

After each scan, DIR provides detailed reports of all potential vulnerabilities. The reports list new vulnerabilities that were identified, ones that were corrected from the previous quarter, and ones that were left unresolved. These vulnerabilities are categorized as high, medium, and low, and represent potential risks rather than actual ones because the scan does not consider the type of information present on the hardware that is being scanned. For that reason, OIT personnel must analyze the reports and make decisions based upon their knowledge of the vulnerability and the information at risk. The quarterly scans will always identify vulnerabilities because technology changes on a daily basis. And each quarter, the scans will report unresolved vulnerabilities

because OIT uses its resources to correct vulnerabilities that present actual risks. The unresolved items generally represent vulnerabilities that do not represent actual risks.

This quarterly scan is one of many controls relied upon by OIT to protect the network. Others include periodic external penetration tests and monthly internal scans of the network.

### Objectives

The objectives of the audit were to verify quarterly scans are performed on the TSTC network, results are appropriately acted upon to close actual security gaps, and the information generated by the scans is appropriately restricted.

### Scope & Methodology

The scope of our audit included all scans performed in July 2014, October 2014, and January 2015. To accomplish our objectives, we obtained all reports, verified vulnerabilities were being corrected each quarter, and followed-up on all unresolved vulnerabilities categorized as high to ensure appropriate action was taken on them. Because we lacked the expertise to fully understand the technical jargon presented in the reports, we utilized the expertise of OIT personnel outside of the Information Security area to corroborate decisions made by that department.

### General Observations

Quarterly network perimeter scans are performed on a consistent basis, and considerable attention is given to address vulnerabilities. It was obvious that the scans are considered a key security control, and numerous OIT personnel assist in deciphering and addressing actual risks.

### Summary of Finding

We did not identify any reportable exceptions.

### Opinion

Based on the audit work performed, OIT is scanning the network on a quarterly basis to identify potential risks to sensitive information. They are addressing actual risks, and handling the results of the scans in a secure manner. We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

  
Date



PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Regents  
Texas State Technical College System  
Waco, Texas

We have reviewed the accompanying financial statements of the Texas State Technical College System, an agency of the State of Texas, as of and for the years ended August 31, 2014 and 2013, which collectively comprise the Texas State Technical College System's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Texas State Technical College System. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Texas State Technical College System is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4 through page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us, and we do not express an opinion or provide any assurance on it.

Our reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included on pages 41 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have not audited, reviewed, or compiled the supplementary information and we do not express an opinion or provide any assurance on such supplementary information.

Pattillo, Brown & Hill, L.L.P.

March 4, 2015



PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Board of Regents  
Texas State Technical College System  
Waco, Texas

In planning and performing our review of the financial statements of the Texas State Technical College System (TSTC), we considered the internal controls over financial reporting at TSTC Harlingen, TSTC Waco, TSTC West Texas, TSTC Marshall, and the TSTC System Administration to determine the review procedures that were appropriate in the circumstances for the purpose of conducting the reviews.

During our review engagement for the fiscal years ending August 31, 2014 and 2013, we noted certain matters involving operational matters that we wish to bring to your attention. The comments and recommendations included in the attached memorandum are intended to improve the controls relevant to the preparation and fair presentation of the financial statements and may result in other operating efficiencies. Because a review does not contemplate obtaining an understanding of an entity's internal control, and because the matters discussed are not considered deficiencies in the design or operation of controls that would undermine your assertions related to the fair presentation of the financial statements, this letter does not affect our independent accountants' review report dated March 4, 2015.

We have already discussed many of these comments and suggestions with various members of your staff and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the Texas State Technical College System and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Pattillo, Brown & Hill, L.L.P.*

March 4, 2015

# TEXAS STATE TECHNICAL COLLEGE

## COMMENTS AND SUGGESTIONS

AUGUST 31, 2014 AND 2013

### Financial Reporting

Inquiries performed during the review revealed inconsistencies in the way that financial statements are prepared at each campus. The Vice President of Financial Service at each location is in charge of preparing their campus financials, and a standard process for financial statement preparation has not been implemented. Consistent financial statement preparation practices would increase efficiencies in compiling the campus and consolidated financial statements of the System.

We also noted that efficiencies could be gained by automating the consolidation process of the year-end financial statements. Currently, numerous reports must be generated to prepare the excel spreadsheets used to generate the financial statements. It is recommended that this process be examined to determine a more efficient approach to financial statement preparation of the System.

### Concluding Remarks

During our review, we noted that the Texas State Technical College System is currently in the process of implementing campus wide procedures that should aid in increasing efficiencies in the financial reporting process.

\* \* \* \* \*

We appreciate the opportunity to be of service to the **Texas State Technical College**. Should you have any questions or require further information, please do not hesitate to contact our office.

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Randy Taylor

Audit Report # 719-14-01  
January 8, 2015

# Post-Payment Audit of the Texas State Technical College



**Glenn Hegar**  
Texas Comptroller of Public Accounts



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## DETAILED FINDINGS — PAYROLL

### Overpayment of Lump Sum Vacation Pay

#### Finding

We identified one instance where the College overpaid a lump sum vacation payment. The College used an incorrect number of hours in the lump sum vacation pay calculation, which resulted in an overpayment of \$817.50. Instead of 16 hours of holiday time being added to the total vacation time, 61 hours were added.

The balance of the accrued vacation hours must be allocated over the work days following the effective date of the employee's separation from state employment until the accrued vacation time is completely allocated. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See Texas Government Code, Section 661.064(a) (Vernon 2009).

We provided the College with the schedule and calculations of the incorrect payment during our exit meeting. The College was in agreement with the calculated overpayment of lump sum vacation pay. The schedule was not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The College should ensure all information is accurate before its final payroll processing.

The College should recover the amount of overpayment unless it determines it is not cost effective to do so in accordance with Texas Government Code, Section 666.

#### College Response

*The College agrees with the finding.*



# Corrective Action Plan

Post-Payment Audit Dated January 8, 2015

Texas State Technical College

*This is an interactive PDF. Each detailed finding of the post-payment audit is described, followed by an area for you to indicate the individual responsible for resolving it, the estimated date of resolution and a brief summary of the action to be taken. The last page has contact information for the Comptroller's office as well as the deadline to return this document, and includes a button to print it so the appropriate staff members can sign.*

## Overpayment of Lump Sum Vacation Pay

**Recommendation:** The College should ensure all information is accurate before its final payroll processing.

The College should recover the amount of overpayment unless it determines it is not cost effective to do so in accordance with Texas Government Code, Section 666.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Payroll / Karen Sonnenberg/Associate Director of Payroll

**Estimated date of resolution of recommendation\*:**

See Below.

**Brief summary of actions taken to ensure compliance:**

Step 1 - Payroll implemented a change to procedures effective 09-01-14 to ensure that vacation payouts submitted are accurate on the notification. Supportive documentation is attached to the payroll notification for payroll to verify the amount paid out supports the leave balances in the system. Payroll also recalculates the Payouts to ensure they are figured accurately.

Step 2 - A letter will be written to the employee requesting the overpayment of funds. This letter will be sent certified and follow-up will be done to ensure the funds are received.

\*If implemented, give date of implementation and changes in procedures if applicable.

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## DETAILED FINDINGS — PURCHASE

### Payments Past the Prompt Payment Deadline and Payments Not Scheduled

#### Finding

According to the prompt payment law, Texas Government Code, Section 2251.021 (a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office automatically computes any interest due under the prompt payment law. A state agency is liable for interest that accrues on an overdue payment and shall pay the interest from funds appropriated or otherwise available to the agency with the net amount for the goods or services. See Texas Government Code, Section 2251.026(b)-(c), (e)-(f) (Vernon 2008). During the audit period, the College paid \$445.17 in late payment interest.

Texas Government Code, Section 2155.382(d) (Vernon 2008) authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the state.

We identified two purchase transactions that the College paid early, resulting in an amount of interest lost to the State Treasury of \$157.03. The College had no explanation as to why the payments were not scheduled.

#### Recommendation/Requirement

To minimize the loss of earned interest to the State Treasury, the College must schedule all payments on invoices that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit — Prompt Payment](#) and [eXpendit — Payment Scheduling](#). The College can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

#### College Response

*The College agrees with the finding.*

# Corrective Action Plan

Post-Payment Audit Dated January 8, 2015

Texas State Technical College

## Payments Past the Prompt Payment Deadline and Payments Not Scheduled

**Recommendation:** To minimize the loss of earned interest to the State Treasury, the College must schedule all payments on invoices that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit — Prompt Payment](#) and [eXpendit — Payment Scheduling](#). The College can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Accounts Payable Departments

**Estimated date of resolution of recommendation\*:**

November 2014

**Brief summary of actions taken to ensure compliance:**

The Accounts Payable Departments have been instructed that the invoice date is determined by the latest of :

The date the agency receives the goods under the contract,  
the date the vendor completes performing its service for the agency, or  
the date the agency receives an invoice for the goods or service.

Instruction has also been given to schedule all payments for invoices greater than \$5,000 for the latest possible distribution and in accordance with its contracts and purchasing agreements.

\*If implemented, give date of implementation and changes in procedures if applicable.



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## DETAILED FINDINGS — TRAVEL

### Incorrect Amount Reimbursed for Lodging and Taxes

#### Finding

We noted one travel document that reimbursed three employees for two nights of lodging, meals, and related taxes that exceeded the locality rate. Two employees each claimed \$415.00 in meals and lodging but were limited to \$123 per person per night. The amount in error for these employees was \$338.00. The other employee claimed \$407.00 for two nights' meals and lodging, but was also limited to \$123 per night. The amount in error for this employee was \$161.00. Total lodging amount in error was \$499.00.

The College stated that internal travel procedures allow the higher lodging amounts when staying at a conference hotel. The College intended to pay the amounts that exceed the locality rate with local funds.

The amount of reimbursement may not exceed the Comptroller's maximum reimbursement rate for lodging at the employee's duty point. See [Textravel – Meals and Lodging](#).

The overpayment for taxes relating to the lodging overpayment is \$44.91.

In addition, if the tax is calculated as a percentage of the lodging rate, then the amount of the reimbursement is equal to the percentage multiplied by the maximum that may be reimbursed to the employee for lodging expenses. See [Textravel – Hotel occupancy taxes](#).

#### Recommendation/Requirement

We recommend that the College enhance its review process of all travel vouchers submitted into USAS to ensure that only expenditures that comply with state laws and rules are reimbursed.

We recommend that the College amend its internal procedures to comply with Textravel.

#### College Response

*The College agrees with the finding.*

## Gratuities Not Payable

### Finding

We identified one travel transaction that reimbursed an employee for transportation expenses that included gratuities. The College indicated that the gratuities were not identified as errors during the review, since the original vouchers were reimbursed from local funds where travelers were able to claim gratuities.

Texas Constitution, Article III, Section 51, prohibits the giving away of the state's money for private purposes. The payment of gratuities is a violation of this section.

The College received a reimbursement from the employee for the excessive amount.

### Recommendation/Requirement

The College must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment.

### College Response

*The College agrees with the finding.*

## **Corrective Action Plan**

Post-Payment Audit Dated January 8, 2015

**Texas State Technical College**

### **Incorrect Amount Reimbursed for Lodging and Taxes and Gratuities Not Payable**

**Recommendation:** We recommend that the College enhance its review process of all travel vouchers submitted into USAS to ensure that only expenditures that comply with state laws and rules are reimbursed.

We recommend that the College amend its internal procedures to comply with Textravel.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Accounts Payable Departments

**Estimated date of resolution of recommendation\*:**

November 2014

**Brief summary of actions taken to ensure compliance:**

The Financial & Administrative Services Office/Business Offices have instructed the Accounts Payable Departments to examine all travel expenses thoroughly prior to payment to ensure compliance with all applicable laws, rules, and the TexTravel website. Emphasis was placed on allowable lodging rates and that gratuities are not payable.

\*If implemented, give date of implementation and changes in procedures if applicable.

## Lack of Conservation of State Funds

### Finding

We identified one instance where the College reimbursed a traveler for mileage accrued while operating a personal vehicle to conduct official business. Based on applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, it would have been more cost-beneficial to the state if the traveler used a rental vehicle instead of a personal vehicle.

The College's procedures do not require travelers to prepare a cost comparison of rental car versus personal vehicle prior to travel.

According to Texas Government Code, Section 660.007(a) (Vernon 2012), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

### Recommendation/Requirement

The College must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The College should implement a cost analysis policy to ensure it uses the most cost efficient method of travel.

### College Response

*The College agrees with the finding.*

# **Corrective Action Plan**

Post-Payment Audit Dated January 8, 2015

**Texas State Technical College**

## **Lack of Conservation of State Funds**

**Recommendation:** The College must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The College should implement a cost analysis policy to ensure it uses the most cost efficient method of travel.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Purchasing Departments/Travel Coordinators

**Estimated date of resolution of recommendation\*:**

November 2014

**Brief summary of actions taken to ensure compliance:**

The Financial & Administrative Services Office/Business Offices have instructed the individuals making the travel arrangements to compare mileage vs. car rental for each travel.

\*If implemented, give date of implementation and changes in procedures if applicable.



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## DETAILED FINDINGS — DUPLICATE PAYMENT REPORT

### Duplicate Payment

#### Finding

We ran a report to identify potential duplicate payments processed by the College for the audit period. During our review of this report, we identified one payment to the College's Service Center that was duplicated.

The total amount of overpayment was \$175.58. As a result of the audit, the College received a credit from the Service Center.

The College stated the second payment was processed due to oversight.

#### Recommendation/Requirement

The College must strengthen its current procedures to ensure that it avoids making duplicate payments to vendors. The accounting staff should ensure that payments are reconciled in an effort to prevent future duplicate payments.

#### College Response

*The College agrees with the finding.*

## **Corrective Action Plan**

Post-Payment Audit Dated January 8, 2015

**Texas State Technical College**

### **Duplicate Payment**

**Recommendation:** The College must strengthen its current procedures to ensure that it avoids making duplicate payments to vendors. The accounting staff should ensure that payments are reconciled in an effort to prevent future duplicate payments.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Accounts Payable Departments

**Estimated date of resolution of recommendation\*:**

November 2014

**Brief summary of actions taken to ensure compliance:**

The Financial and Administrative Services Office/Business Offices have instructed the Accounts Payable Departments to be aware of any alerts given by the software for duplicate invoice numbers and also to be very aware of service dates, prior balances on invoices and also credit balances to avoid future duplicate payments.

\*If implemented, give date of implementation and changes in procedures if applicable.

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## DETAILED FINDINGS — PAYMENT CARD

### Freight Not on Purchase Order

#### Finding

We identified one transaction where a freight charge was paid even though it was not included on the original PO. Freight charges not specifically identified on the original PO should not be paid by the College. The College stated that the freight is normally included with the cost of the product. However, the College will include a separate line for freight on future purchases.

A PO is a contract entered into by the state and a vendor. The College may pay only the contracted amount as shown on the PO. If freight charges are not on the PO, then the charges are not owed by the College and should not be paid.

#### Recommendation/Requirement

The College should document all freight terms on each PO. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the College should document the limit that may not be exceeded for freight. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented prior to receiving the invoice.

#### College Response

*The College agrees with the finding.*

## **Corrective Action Plan**

Post-Payment Audit Dated January 8, 2015

**Texas State Technical College**

### **Freight Not on Purchase Order**

**Recommendation:** The College should document all freight terms on each PO. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the College should document the limit that may not be exceeded for freight. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented prior to receiving the invoice.

#### **Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Purchasing Departments and Accounts Payable Departments

#### **Estimated date of resolution of recommendation\*:**

November 2014

#### **Brief summary of actions taken to ensure compliance:**

The Financial & Administrative Services Office/Business Offices have instructed the Purchasing Department to include all freight terms on each PO, and if the amount of freight is not given, always include an estimate. Any changes to the freight terms, or increases to the freight estimates must be approved and made to the PO prior to the service being performed. The Accounts Payable Department has been instructed to only pay invoices that agree to or are less than a properly documented purchase order.

\*If implemented, give date of implementation and changes in procedures if applicable.

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## DETAILED FINDINGS — EXPENDITURE APPROVAL

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the College placed on its accounting staff members' abilities to process expenditures. We reviewed the College's security in USAS, TINS and voucher signature cards that was in effect on July 14, 2014. We did not review or test any internal or compensating controls that the College may have relating to USAS or TINS security or internal transaction approvals.

During the audit period, the College had four employees who could adjust payment instructions in TINS and approve paper vouchers.

To reduce risks to state funds, the College should maintain controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to process accounting transactions without another person's involvement.

#### Recommendation/Requirement

The College should review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

#### College Response

*The College agrees with the finding.*



# **Corrective Action Plan**

Post-Payment Audit Dated January 8, 2015

**Texas State Technical College**

## **Control Weakness Over Expenditure Processing**

**Recommendation:** The College should review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

**Division(s)/ Individual(s) responsible for agency action due to recommendation:**

Financial & Administrative Services Office

**Estimated date of resolution of recommendation\*:**

November 2014

**Brief summary of actions taken to ensure compliance:**

TSTC elected to invoke "Preventative Control: Edit for Document Tracking Control" through USAS. It was requested that Position 18 of the Data-Related Errors section of D02 profile be left blank (fatal). This prevents any user who entered or changed a batch from releasing that batch.

\*If implemented, give date of implementation and changes in procedures if applicable.

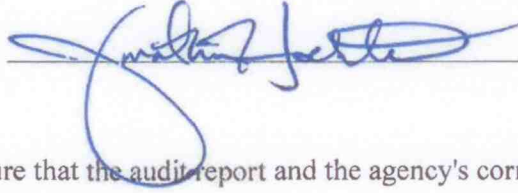
## Corrective Action Plan

Post-Payment Audit Dated January 8, 2015

Texas State Technical College

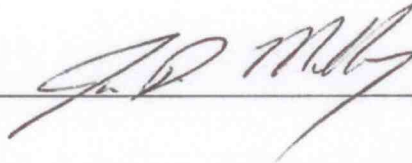
Please certify by signature that the information provided is complete and correct.

Chief Financial Officer:



Please certify by signature that the audit report and the agency's corrective action plan were received and reviewed.

Internal Audit:



This form is due to the Comptroller's office by:

Feb. 9, 2015

### EMAIL

[lisa.nance@cpa.texas.gov](mailto:lisa.nance@cpa.texas.gov)

### FAX

512-936-2522

### INTERAGENCY MAIL / PHYSICAL LOCATION

Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street, 9th Floor  
Austin, Texas 78774

### MAILING ADDRESS

Texas Comptroller of Public Accounts  
Attn: Fiscal Management  
Post Office Box 13528, Capitol Station  
Austin, Texas 78711-3528

**Print, Sign and Return**

## Texas State Technical College - Marshall

Reference No. 2014-122

**Eligibility****Special Tests and Provisions – Verification****Student Financial Assistance Cluster**

Award year – July 1, 2013 to June 30, 2014

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A138753; CFDA 84.033, Federal Work-Study Program, P033A138753; CFDA 84.063, Federal Pell Grant Program, P063P135503; and CFDA 84.268, Federal Direct Student Loans, P268K135503

Type of finding – Significant Deficiency and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed for a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Questioned Cost: \$0

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Record (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations (CFR), Sections 668.2 and 673.5).

For students with less-than-half-time enrollment, COA includes tuition and fees and an allowance for only books, supplies, and transportation; dependent care expenses; and room and board costs, except that a student may receive an allowance for such costs for not more than three semesters, or the equivalent, of which not more than two semesters or the equivalent may be consecutive (Higher Education Act of 1965 (HEA), Section 472(4)).

Texas State Technical College – Marshall (College) initially calculates student COA budgets based on full-time enrollment. After the census date each semester, the College identifies students with less-than-full-time enrollment and runs a process within its financial aid system, Colleague, to adjust those students' COA budgets. That process requires the College to manually enter specific award codes to adjust students' COA based on their enrollment.

**For 5 (8 percent) of 60 students tested, the College did not correctly or consistently calculate COA.** The five students were enrolled less than full-time, and the College did not adjust their COA after the census date based on their actual enrollment. That occurred because the College did not enter the correct award codes for those students, and Colleague did not identify that the COA needed to be adjusted. That resulted in overawards for 2 of those students totaling \$2,399 in Federal Direct Student Loans. After auditors brought those overawards to the University's attention, it corrected the overawards and returned the funds; therefore, there were no questioned costs.

**Additionally, the College's COA budgets are not consistent with federal requirements.** The College's COA budgets include a personal expense component for all students. However, the personal expense component is not allowable for students who are enrolled less than half-time. Two (3 percent) of 60 students tested were enrolled less than half-time, but the College assigned them a personal expense COA component that they were not eligible. That occurred because the College was not aware that less-than-half-time students were not eligible for a personal expense component. Although those two students were not overawarded student financial assistance, including COA components for which students are not eligible increases the risk that students could be overawarded student financial assistance.



#### Pell Grant and Direct Loan Limits

For the federal Pell Grant Program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education to determine award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum and annual amounts a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for students enrolled three-quarter-time, half-time, and less-than-half-time (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower's cost of attendance, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education 2013-2014 *Federal Student Aid Handbook*).

**The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal financial assistance limits.** The automated packaging process within Colleague has limits to prevent awarding more student financial assistance than a student is eligible to receive. However, if the College manually awards student financial assistance, Colleague does not prevent students from being awarded more than the limits. That increases the risk that students could be overawarded student financial assistance. Auditors tested 60 students and did not identify any students who were awarded federal financial assistance that exceeded their annual or aggregate award limits.

#### Other Compliance Requirement

Although the general control weaknesses described below apply to special tests and provisions – verification, auditors identified no compliance issues regarding that compliance requirement.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over Colleague.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague administrative account for performing administrative tasks on the Colleague application. Four of those eight administrators also had programming responsibilities. The number of individuals with access to that account was excessive.
- One of the Colleague database administrators also had responsibilities as a programmer.
- Programmers migrated their own code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct formal, periodic reviews of user access to Colleague to determine the appropriateness of users' access based on job responsibilities. During the audit period, the College had no policies requiring such reviews. However, as of June 2014, the College had information technology operational governance policies regarding periodic review that were pending approval. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains Colleague for all of its institutions.

#### Recommendations:

The College should:

- Adjust COA accurately and consistently for students with less-than-full-time enrollment.

- Include COA budget components, such as personal expenses, in the COA calculation only for students who are eligible for those components.
- Implement a process to ensure that manual student financial assistance awards do not cause students' total awards to exceed annual and aggregate award limits.
- Restrict the number of individuals who can access shared administrative accounts for Colleague.
- For Colleague, segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Conduct formal, periodic reviews of user access to Colleague.

Management Response and Corrective Action Plan:

Cost of Attendance

*The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, a process is run to adjust the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed in accordance to student's actual enrollment at official census date. This process required Financial Aid staff to enter award codes requiring adjustment. The process has been automated to no longer require award code entry.*

*The Financial Aid Office will ensure that only eligible budget components are included in the COA calculation for all less-than-full-time students.*

Implementation Date: July 16, 2014

Responsible Person: Susan Wingate

Pell Grants and Direct Loan Limits

*To take out the human error of awarding Financial Aid, the College auto packages awards to ensure that the students are receiving the correct amount. After census date and again before the end of the semester, the college will run a report that will check to ensure that no students are receiving more aid than they are eligible to receive.*

Implementation Date: February 1, 2015

Responsible Person: Susan Wingate

General Controls

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

Implementation Date: Implemented

Responsible Person: Richard Martin



**Texas State Technical College - Harlingen**

Reference No. 2013-142

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; CFDA 84.268, Federal Direct Student Loans, P268K133162; and CFDA 84.033, Federal Work-Study Program, P033A134149**

**Type of finding – Significant Deficiency and Non-Compliance**

**Cost of Attendance**

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll). A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, Code of Federal Regulations (CFR), Section 668.2).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, CFR, Sections 673.5 and 668.2).

A federal Pell Grant is calculated by determining a student's enrollment for the term, and then based on that enrollment status, determining the annual award from a disbursement schedule. The amount of a student's award for an award year may not exceed his or her scheduled federal Pell Grant award for that award year (Title 34, CFR, Sections 690.63 (b) and (g)). No federal Pell Grant can exceed the difference between the EFC for a student and the COA at the institution in which the student is in attendance (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1070b).

Direct Loans have annual and aggregate limits that are the same for all students at a given grade level and dependency status. In general, a loan may not be more than the amount the borrower requests, the borrower's cost of attendance, the borrower's maximum borrowing limit, or the borrower's unmet financial need (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

**For 6 (10 percent) of 60 students tested, Texas State Technical College – Harlingen (College) did not calculate the students' COA in accordance with its published COA schedule. Specifically:**

- For 5 students, the College did not remove room and board and personal expense charges for terms the students did not attend, which resulted in the students' COA being overstated. However, the College did not overaward assistance to those students as a result of that error.

- For 1 student, the College increased the student's COA by \$2,500 in miscellaneous fees to offset a merit-based scholarship the student received, but it did not document its rationale for exercising that professional judgment. However, the College did not overaward assistance to that student as a result of that error.

**In addition, for 2 (3 percent) of 60 students tested, the College overawarded need-based financial assistance and awarded financial assistance in excess of the students' COA. Specifically:**

- Through a manual process, the College awarded one student \$794 in Subsidized Direct Loans. That assistance exceeded the student's need by \$794; therefore, the amount of questioned costs associated with award P268K133162 was \$794. Additionally, that student's total assistance exceeded the student's COA by \$650. The \$650 overaward was associated with Direct Plus Loans, which also means that the student's assistance exceeded the Direct Plus Loan limit.
- The College awarded one student \$1,388 in Pell Grant funds even though the student's COA was only \$1,284. That resulted in a \$104 overaward of Pell Grant funds; therefore, the amount of questioned costs associated with award P063P133162 was \$104. The College awarded Pell Grant funds based on the student's Pell COA, which the College calculates differently from its institutional COA. The methodology the College used to determine Pell COA overstated the student's COA and resulted in the overaward of assistance.

These errors occurred because for the 2012-2013 award year, the College initially packaged student assistance based on full-time enrollment, regardless of students' actual enrollment. In summer 2013, the College redesigned its automated COA process and retroactively adjusted students' COA to reflect their actual enrollment for each term of the 2012-2013 award year. However, the College did not retroactively adjust COA for students whose COA budgets the College had locked following previous manual adjustments. Incorrectly calculating COA increases the risk that students may be overawarded or underawarded financial assistance.

The College's automated controls over Direct Loans and Pell Grant awards do not ensure that manually entered awards comply with federal assistance limits. In addition, the College awarded all Direct Loans through manual processes during the 2012-2013 award year. Thirteen staff members at the College have the ability to modify or override eligibility rules. That increases the risk of awards exceeding limits.

#### Recommendations:

The College should calculate students' COA in accordance with its published COA schedule.

#### Management Response and Corrective Action Plan 2013:

*The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.*

*The Financial Aid Office will implement procedures to ensure that programming and setup of annual COA budgets is verified and correctly calculated. Training will be provided to the Financial Aid staff to be able trouble shoot, report, and/or correct errors in the financial aid management system.*

#### Management Response and Corrective Action Plan 2014:

*The College will calculate initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process will be run to adjust the cost of attendance based on the student's actual enrollment levels. Awards will be adjusted as needed in according to student's actual enrollment at official census date.*

*In order to implement the plan above Financial Aid Office will work closely with IT to implement additional procedures to ensure that programming and setup of annual COA budgets are verified and correctly calculated. This collaboration will allow the Financial Aid Office to test student's records to ensure compliance. As procedures are updated training will be provided to the Financial Aid staff in order to troubleshoot, report, and/or correct errors in the financial aid student information system. Initial Cost of Attendance will be based on full time [36 credit*



hours (12 per semester)] and use actual enrolled credits after census date. Student's not at least half time status for the term will have the Tuition/Fees and Books components adjusted accordingly.

Together with IT we will create an automated process that will reduce the Room/Board, and Personal Expenses budget components in the COA for students that are enrolled less-than half time. With the transition of a new Financial Aid System Analyst these procedures and processes will be closely monitored.

Implementation Date: August 2015

Responsible Persons: Federico Pena and Javier Nieto

#### Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame and the College incorrectly calculates the pace of completion for students with transfer credits.** As a result, for 4 (7 percent) of the 60 students tested, the College did not accurately include transfer hours in the students' SAP calculations. Those students still met the College's SAP requirements and were eligible to receive assistance. However, not including transfer hours as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

#### Corrective Action:

Corrective action was taken.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

*We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.*

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during audit*

*Responsible Person: Richard Martin*



Reference No. 2013-143

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.033, Federal Work-Study Program, P033A131419; CFDA 84.063, Federal Pell Grant Program, P063P133162; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A134149; and CFDA 84.268, Federal Direct Student Loans, P268K133162**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, individual retirement account deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56, and *Federal Register*, Volume 76, Number 134). When the verification of a student's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Education

**For 14 (23 percent) of 60 students tested, Texas State Technical College - Harlingen (College) did not accurately verify all required information in student financial assistance applications and did not always correct student ISIR information when required. Specifically:**

- For 1 student, the College did not accurately verify the number of household members enrolled in post-secondary education.
- For 7 students, the College did not accurately verify that the students received food stamps.
- For 1 student, the College did not accurately verify that the student had paid child support.
- For 6 students, the College did not accurately verify tax-related items on the students' applications. Auditors identified application errors in AGI, income tax paid, untaxed pensions, and education credits.

According to the College, the errors occurred because of errors in manual processing during verification. Not properly verifying FAFSA information could result in the College overawarding or underawarding student federal financial assistance. Because the U.S. Department of Education's due dates for ISIR correction had already passed at the time the errors were identified, the College was unable to request updated ISIRs for the affected students. However, the College asserted that the errors resulted in overawards of Pell Grant funds to two students totaling \$1,563 and an underaward of \$38 in Pell Grant funds to one student. The overawards and underaward were associated with award number P063P133162.

Corrective Action:

Corrective action was taken.

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.

Management Response and Corrective Action Plan 2013:

*We agree with the findings related to the general control portion of the audit. During the course of the audit the inappropriate access identified by the auditors was immediately revoked. Going forward the Office of Information Technology (OIT) will periodically produce and distribute reports to executive management detailing employees with access to BAWD and FGLP. We will work with management to ensure related access is appropriate.*

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during audit*

*Responsible Person: Richard Martin*



**Texas State Technical College - Waco**

Reference No. 2013-144

**Eligibility**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147**

**Type of finding – Material Weakness and Non-Compliance**

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Education

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations (CFR), Sections 673.5 and 668.2).

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**Texas State Technical College – Waco (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student's actual enrollment.** As a result, for 15 (25 percent) of 60 students tested, the College based the students' COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 school year.

Additionally, 1 (2 percent) of 60 students tested attended Texas State Technical College – Harlingen in the Fall 2012 term and Texas State Technical College – Waco in the Spring 2013 term. The College does not have a process to adjust COA budgets to reflect enrollment at multiple College campuses within the same award year. As a result, auditors could not determine whether that student's COA budget was appropriate or whether that student was overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

### Pell Grants

For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

**For 1 (2 percent) of 60 students tested, the Pell Grant award exceeded the amount for which the student was eligible for the award year.** The student was enrolled half-time for the Summer 2013 term but was awarded a full-time Pell Grant for that term. As a result, the College overawarded that student \$925 in Pell Grant assistance. The College's automated controls over Pell awards do not ensure that manually entered awards comply with federal assistance limits. The College reviews a report of all Pell disbursements for each term to ensure that the correct amount of Pell has disbursed based on EFC and enrollment level; however, that control is not always effective. After auditors brought the error to the College's attention, the College corrected the Pell award; therefore, there were no questioned costs.

The automated control issue discussed above also affects Direct Loan awards; however, auditors did not identify any compliance errors related to Direct Loan awards.

### Corrective Action:

Corrective action was taken.

### Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to federal Pell Grant recipients who have the lowest EFC. If an institution has FSEOG funds remaining after giving FSEOG awards to all Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Pell Grants (Title 34, CFR, Section 676.10).

**Based on a review of the full population of student financial assistance recipients, the College awarded \$281 in FSEOG assistance to one student who did not also receive a Pell Grant; it did not award FSEOG assistance to all other Pell Grant recipients before awarding FSEOG assistance to that student.** The student had already received the lifetime eligibility amount for Pell Grants and, therefore, was no longer eligible to receive a Pell Grant. When identifying potential students eligible for FSEOG, the College ran a query to find Pell-eligible students, but it did not check for an actual Pell Grant disbursement within the award year. After auditors brought the error to the College's attention, the College returned the FSEOG award; therefore, there were no questioned costs.

### Corrective Action:

Corrective action was taken.

### Satisfactory Academic Progress Policy

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education *2012-2013 Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).



The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 1 (2 percent) of 60 students tested, the College did not evaluate the student's SAP status at the end of each term as required by its SAP policy. The student was enrolled in the Fall 2012 term; however, the College did not calculate the student's SAP for that term. The College could not explain why it excluded that student from its SAP calculation process for that term. Therefore, auditors were unable to determine whether that issue also affected other students who received financial assistance in the 2012-2013 award year. Based on the student's GPA, pace, and maximum hours, the student's academic progress would have been satisfactory for that term; therefore, the student was eligible for financial assistance in the Spring 2013 term.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, the policy does not state that transfer hours will be counted in completed credits. **Further, the College's automated SAP calculation process does not include transfer credits as either attempted or completed hours; therefore, the College does not evaluate transfer hours as part of a student's completion rate or maximum time frame.** For 1 (2 percent) of 60 students tested, the total combined institutional and transfer hours exceeded the student's program's maximum time frame; however, because the College did not include the student's transfer hours in its SAP calculation, the College did not place that student on suspension. After auditors brought the error to the College's attention, the College reviewed the student's transfer hours to determine how many hours applied to the student's program. Based on that review, the student was eligible for financial assistance in the 2012-2013 award year.

Additionally, the College's SAP policy states that if a student repeats a course, it will count both course attempts in the maximum credit hours and pace of completion calculation. However, the College's SAP calculation excludes repeated courses from a student's cumulative attempted hours. Auditors did not identify any compliance errors as a result of that issue. However, not including transfer hours and repeated courses as attempted and completed hours in the SAP calculation increases the risk that the College's calculation may not identify students who do not comply with either the maximum credit hour requirement or the pace of completion requirement. As a result, those students could receive financial assistance for which they are not eligible.

The College's SAP policy also states that a student who has reached the maximum time frame for the student's program of study will be placed on suspension. According to the SAP policy, after the maximum time frame has passed, students cannot regain satisfactory progress or financial assistance eligibility unless they submit an appeal detailing the mitigating circumstances. However, the College's SAP process does not follow that policy. For all students who have reached their maximum time frame, the College reviews the students' academic progress and determines whether the students should continue to receive financial assistance. That review includes students who have reached their maximum time frames and may not have complied with another SAP requirement (such as GPA or pace completion requirements). The College does not require those students to submit appeals. The College also does not retain documentation of the rationale it uses to determine whether a student should continue to receive financial assistance. Not requiring students to submit a SAP appeal violates both the College's policy and federal requirements. As a result, students may be receiving financial assistance for which they are not eligible.

**Seven (12 percent) of 60 students tested had reached the maximum time frame for their program and the College had approved them to continue receiving financial assistance without submitting an appeal. Five of those students also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.**

Additionally, 281 students had reached the maximum time frame for their program as of the Summer 2013 term. The College approved 256 (91 percent) of those students to continue receiving financial assistance without submitting an appeal. Of those 256 students, 98 (38 percent) also did not comply with the GPA requirement, the pace of completion requirement, or both of those requirements.

**Corrective Action:**

Corrective action was taken.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

#### Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

#### Management Response and Corrective Action Plan 2013:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.*

*The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*



Management Response and Corrective Action Plan 2014:

*We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit*

*Responsible Person: Richard Martin*

Reference No. 2013-145

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

**Award year – July 1, 2012 to June 30, 2013**

**Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P122321; CFDA 84.007, Federal Supplemental Educational Opportunity Grants, P007A124147; CFDA 84.268, Federal Direct Student Loans, P268K132321; and CFDA 84.033, Federal Work-Study Program, P033A124147**

**Type of finding – Significant Deficiency and Non-Compliance**

Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Education

**For 8 (13 percent) of 60 applicants tested, Texas State Technical College – Waco (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required.** Specifically, the College did not always accurately verify the applicants' education credits, income tax paid, or household members. According to the College, that resulted in an overaward of \$150 to one student and underawards totaling \$101 to two students in federal Pell Grant funds associated with award P063P122321.

For the eight students discussed above, the College also did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion. The errors occurred because of manual errors the College made in verification.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

**The College did not maintain adequate user access controls over its Colleague student financial assistance application.** Specifically:

- Fifteen individuals had inappropriate access based on their job responsibilities to either award or post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to that account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the Colleague production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

#### Recommendations:

The College should:

- Accurately verify all required FAFSA information for applicants selected for verification and request updated ISIRs when required.
- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

#### Management Response and Corrective Action Plan 2013:

##### Verification

*The college has provided additional training to TSTC staff members who made the verification errors. Those staff members were performing verification at the same time they were answering a large volume of phone calls so that caused them to make some errors.*

*In order to speed up the verification process and to assure that verification was performed accurately, we outsourced it to EdFinancial in April 2013. The Edfinancial staff operates in a 100% quality control environment with each new client. Their staff reviews every file, ensuring that every application was verified accurately and that the Colleague system was updated correctly. They review 100% of files until they consistently maintain a standard accuracy rate of 97%. Once reached, Edfinancial continues through the duration of the contract by reviewing 30%*



of applications. In an effort to check the accuracy of EdFinancial's work, our Assistant Director of Financial Aid and/or her staff will verify a random sample of files.

#### General IT Controls

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to three, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities will be changed. The administrative duties will be transferred to another individual by March 31st 2014.

Privileges that allowed programmers to migrate code to the production environment will be removed. We have begun planning to reassign the review and migrating function to another area within OIT.

The account management policy will be revised to include mandatory account reviews. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.

#### Management Response and Corrective Action Plan 2014:

##### Verification

TSTC Waco will continue to outsource verification to EdFinancial and will continue to provide additional training to TSTC staff members regarding verification. While no errors were made in verification, we made corrections to some data elements for one student who had a 0 EFC and the changes resulted in the EFC remaining at 0. Although the corrections were made to the student's ISIR and were sent to the CPS from Colleague, a new ISIR was not generated.

In order to ensure that this does not happen again, we have developed a management report called SANDI.CAPX.CHECK. The report produces a list of all students who had corrections sent for that day. We will keep each report and check off each student as the new ISIR is received. We have also created a report that will show all students who were selected for verification and who had corrections submitted along with the date that the new ISIRS are received.

Implementation Date: January 2015

Responsible Persons: Jackie Adler and Sandi Abshier

##### General Controls

We have reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.

Privileges that allowed programmers to migrate code to the production environment were removed during the audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.

The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.

Implementation Date: Implemented during the audit

Responsible Person: Richard Martin

## Texas State Technical College – West Texas

Reference No. 2013-146

**Eligibility****Student Financial Assistance Cluster**

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.063, Federal Pell Grant Program, P063P123266; CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.268, Federal Direct Student Loans, P268K123266; and CFDA 84.033, Federal Work-Study Program, P033A124150

Type of finding – Material Weakness and Non-Compliance

Cost of Attendance

The determination of the federal student financial assistance award amount is based on financial need. Financial need is defined as a student's cost of attendance (COA) minus the expected family contribution (EFC) (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087kk). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." An institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087ll).

Initial Year Written: 2013  
Status: Partially Implemented

U.S. Department of Education

A full-time student is defined as an enrolled student who is carrying a full-time academic workload, as determined by the institution, under a standard applicable to all students enrolled in a particular educational program. For an undergraduate student, an institution's minimum standard must equal or exceed 12 semester hours. A half-time student is defined as an enrolled student who is carrying a half-time academic workload, as determined by the institution, which amounts to at least half of the workload of the applicable minimum requirement outlined in the definition of a full-time student (Title 34, CFR, Section 668.2).

**Texas State Technical College – West Texas (College) uses full-time COA budgets to determine COA for all students receiving financial assistance, regardless of each student's actual enrollment.** As a result, for 23 (38 percent) of 60 students tested, the College based the students' COA on full-time enrollment, even though the students attended less than full-time for one or more terms during the award year. Using a full-time COA budget to estimate COA for students who attend less than full-time increases the risk of overawarding financial assistance. Because the College developed only full-time COA budgets to determine COA, auditors could not determine whether the students in the sample tested who were attending less than full-time were overawarded financial assistance for the 2012-2013 award year.

Corrective Action:

Corrective action was taken.

Satisfactory Academic Progress

A student is eligible to receive Title IV, Higher Education Act (HEA) Program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, CFR, Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). An institution's satisfactory academic progress (SAP) policy should include a qualitative component that consists of grades, or comparable factors that are measureable against a norm, and a quantitative component that consists of a maximum time frame within which a student must complete his or her education (U.S. Department of Education 2012-2013 *Federal Student Aid Handbook*).

An institution's policy must describe how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another



institution that are accepted toward the student's educational program must count as both attempted and completed hours (Title 34, CFR, Section 668.34(a)(6)).

**The College does not apply its SAP policy consistently, and its SAP policy does not meet all federal requirements. For 7 (13 percent) of 56 students tested, the College did not consider the correct SAP status or calculate SAP in compliance with its SAP policy. Specifically:**

- For three students, the College did not calculate SAP for the students' last term of enrollment preceding the 2012-2013 academic year; therefore, the College considered the SAP status for an incorrect term when determining those students' eligibility for assistance. Those students had gaps in enrollment of between 3 and 11 years prior to the 2012-2013 academic year; however, the College could not explain why it did not calculate SAP for those years. As a result, one of those students should have been placed in a different SAP status, which would have made that student ineligible for assistance for at least one term during the year. Therefore, that student's, \$3,465 in Direct Student Loan assistance associated with award number P268K123266 was considered a questioned cost.
- For two students, the College did not calculate SAP for a term in which the students were enrolled only in partnership courses. At the College, students are eligible to receive financial assistance while enrolled in partnership courses at another institution.
- For two students, the College assigned the incorrect SAP status. For one student, the College did not consider the student's transfer hours in its pace component calculations. The College placed the other student on an academic plan in lieu of suspension; however, the College was unable to provide documentation of that plan. As a result, one of those students was ineligible for assistance for at least one term during the year. Therefore, that student's \$1,388 in Pell Grant funds associated with award number P063P123266 and \$3,465 in Direct Student Loan assistance associated with award number P268K123266 were considered questioned costs.

**Additionally, for 41 (73 percent) of the 56 students tested, the SAP components, such as courses attempted or completed and GPA, that auditors calculated did not match the SAP components on which the College relied when it awarded assistance.** The College asserted that it relies on the Texas State Technical College System to run the automated SAP calculation for the College. As a result, College personnel have a limited understanding of the automated SAP calculations in the financial aid system; therefore, the College was unable to provide explanations regarding certain discrepancies identified or provide definitive guidance regarding the data included in the automated calculation. The College also may not be consistently entering courses into its student record system, which would further affect the automated SAP calculations.

In addition, the College's SAP policy states that transfer hours that apply toward the completion of a student's program will be counted in attempted credits; however, it does not state that transfer hours will be counted in completed credits. Further, the College's automated SAP calculation process includes transfer credits as completed hours, but not as attempted hours; therefore, the College does not evaluate transfer hours as part of a student's maximum time frame, and it incorrectly calculates the pace of completion for students with transfer credits. Thirty-seven (66 percent) of 56 students tested had transfer credits.

Not correctly evaluating students' satisfactory academic progress or including all required elements in the policy increases the risk of awarding financial assistance to ineligible students.

#### Corrective Action:

Corrective action was taken.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

The College did not maintain adequate user access controls over its Colleague student financial assistance application. Specifically:

- Three individuals had inappropriate access based on their job responsibilities to post federal grants and loans.
- Eight administrators and the Colleague application vendor had access to a shared default Colleague system account for performing administrative tasks on the Colleague application. The number of individuals with access to the account was excessive.
- One of the Colleague administrators also had responsibilities as a programmer.
- Programmers migrated code to the production environment.

Allowing users inappropriate or excessive access to systems and allowing programmers to migrate code to the production environment increases the risk of inappropriate changes to systems and does not allow for proper segregation of duties.

In addition, the College did not conduct a formal, periodic review of user access to its Colleague application to determine the appropriateness of users' access based on their job responsibilities. It did not have any policies requiring such reviews. Not periodically reviewing user access increases the risk of inappropriate access to critical information systems go undetected.

The Texas State Technical College System maintains the Colleague application for all of its institutions.

Recommendations:

The College should:

- Restrict the number of individuals who can access shared administrative accounts.
- Segregate the responsibilities for administrative tasks from programming tasks, and segregate the responsibilities for programming code from migrating code to the production environment.
- Establish and implement a policy to perform formal, periodic reviews of user access to its key information systems and retain documentation of those reviews.

Management Response and Corrective Action Plan 2013:

*During the course of the audit three individuals were identified with inappropriate access based on their job duties which were immediately revoked. The Director of Administrative Technology conducts and documents an annual review by which each supervisor reviews and approves their employee's user access. In order to further enhance this process the Office of Information Technology (OIT) will revise the account management policy to include formal, periodic reviews of user access. OIT will distribute reports to executive management to ensure related access is appropriate. In addition, a periodic sampling of user accounts will occur to verify the account reviews are operating as intended. Accounts that do not have proper authorization will be immediately suspended.*

*The number of individuals with access to the default Colleague administrator account has been reduced from eight to three and vendor access has been removed. The role of the Colleague administrator with programming responsibilities will be changed and the administrative duties will be transferred to another individual.*

*Privileges that allowed programmers to migrate code to the production environment will be removed. We will reassign the review and migrating function to another area within OIT.*

Management Response and Corrective Action Plan 2014:

*Texas State Technical College West Texas has reduced the number of individuals that had access to the default Colleague administrator account from eight to two, and vendor access has been removed. The role of the Colleague administrator that had programming responsibilities was changed during the audit. The administrative duties were also transferred to another individual.*



*Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit.*

*Responsible Person: Richard Martin*

Reference No. 2013-147

### Special Tests and Provisions - Verification

#### Student Financial Assistance Cluster

Award year – July 1, 2012 to June 30, 2013

Award numbers – CFDA 84.007, Federal Supplemental Educational Opportunity Grant, P007A124150; CFDA 84.033, Federal Work Study Program, P033A124150; CFDA 84.063, Federal Pell Grant Program, P063P123266; and CFDA 84.268, Federal Direct Student Loans, P268K133266

Type of finding – Significant Deficiency and Non-Compliance

#### Verification of Applications

For each applicant whose Free Application for Federal Student Aid (FAFSA) is selected for verification by the Secretary of the U.S. Department of Education, an institution must verify all of the applicable items, which include household size, number of household members who are in college, adjusted gross income (AGI), U.S. income taxes paid, child support paid, food stamps, education credits, IRA deductions, and other untaxed income. (Title 34, Code of Federal Regulations (CFR), Sections 668.54 and 668.56 and *Federal Register*, Volume 76, Number 134). When the verification of an applicant's eligibility results in any change to a non-dollar item or a change to a single dollar item of \$25 or more from the student's FAFSA, the institution must submit a correction to the U.S. Department of Education and adjust the applicant's financial aid package on the basis of the expected family contribution (EFC) on the corrected Institutional Student Information Record (ISIR). For the federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must recalculate the applicant's federal Pell Grant on the basis of the EFC on the corrected ISIR and disburse any additional funds under that award (Title 34, CFR, Section 668.59).

Initial Year Written: 2013  
Status: Partially Implemented  
U.S. Department of Education

**For 12 (20 percent) of 60 students tested, Texas State Technical College - West Texas (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required.** According to the College, that resulted in overawards of federal Pell Grant funds totaling \$567 associated with award number P063P123266. Specifically:

- For 6 (43 percent) of the 14 students tested whose households received food stamps, the College did not accurately verify whether the students received food stamps. There was no change in EFC or aid associated with those errors.
- For 2 (29 percent) of the 7 students tested who reported child support paid, the College did not accurately verify the students' applications to reflect the correct amount paid. For both students, child support paid was overstated. That caused both students' EFCs to be understated and resulted in overawards of federal Pell Grant funds totaling \$567.
- For 2 (7 percent) of the 30 students tested who reported income tax paid, the College did not accurately verify the students' application to reflect the correct amount paid. For both students, income tax paid was understated. That caused both students' EFCs to be overstated, but it did not affect the students' assistance amounts.

*Privileges that allowed programmers to migrate code to the production environment were removed during this audit. Those duties were assigned to the Colleague administrator and that individual is responsible for migrating code.*

*The account management policy was revised to include mandatory account reviews. The policy was approved during the audit.*

*Implementation Date: Implemented during the audit.*

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#### Verification of Applications

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Initial Year Written: 2013  
Status: Partially Implemented  
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**For 12 (20 percent) of 60 students tested, Texas State Technical College - West Texas (College) did not accurately verify all required information in student financial assistance applications and did not always correct applicant ISIR information when required.** According to the College, that resulted in overawards of federal Pell Grant funds totaling \$567 associated with award number P063P123266. Specifically:

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- For 2 (7 percent) of the 30 students tested who reported income tax paid, the College did not accurately verify the students' application to reflect the correct amount paid. For both students, income tax paid was understated. That caused both students' EFCs to be overstated, but it did not affect the students' assistance amounts.



- For the 1 student tested who reported an IRA deduction, the College did not accurately verify the student's application to reflect the deduction. The IRA deduction was understated. That caused the student's EFC to be understated, but it did not affect the student's assistance amount.
- For 1 (3 percent) of 40 students tested who were non-tax filers and reported income from work, the College did not accurately verify the student's application to reflect the income. The student's income was overstated. However, that did not change the student's EFC or affect the student's assistance.

For the 12 students discussed above, the College did not correct the students' ISIRs to reflect the accurate information at the time of verification. The College was unable to request updated ISIRs for those students when auditors brought the errors to its attention because that occurred after the U.S. Department of Education's due date for corrections. Therefore, the effects on EFC and assistance noted above, including the questioned costs, are based on the College's assertion.

According to the College, the errors occurred because of errors in manual processing during verification. In addition, the process the College uses to monitor verification is inadequate to ensure the overall quality of verifications performed. Not properly verifying FAFSA information can result in the College overawarding or underawarding student financial assistance.

#### Corrective Action:

Corrective action was taken.

#### General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subchapter C, Section 300(b)).

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#### Recommendations:

The College should:

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*Implementation Date: Implemented during the audit.*

*Responsible Person: Richard Martin*



**Texas State Technical College  
Internal Audit  
Attestation Disclosures**

Responsible Management	Issue Reported by Management	Report Date	Management's Corrective Action Plan	Internal Audit Assistance/Follow-up
	<b>No new issues were reported this quarter.</b>			

The noted items were reported during the attestation process, and have been disclosed to the Chancellor. These were deemed to be worthy of disclosure to the Audit Committee.