

**Texas State Technical College
Board of Regents
Audit Committee Meeting
3801 Campus Drive
Col. James T. Connally Aerospace Center
Board Room
Waco, TX**

**Thursday, May 12, 2016
10:45 a.m.**

AGENDA

- I. Meeting Called to Order by Audit Committee Chair Ivan Andarza**
[Ivan Andarza, Joe Gurecky, J.V. Martin]
- II. Committee Chair Comments**
- III. Minute Order:**
Proposed MO #
- None
- IV. Reports:**
- | | |
|--|-------|
| <u>Status of Fiscal Year 2016 Audit Schedule & Other Projects</u> | 2/42 |
| <u>Summary of Audit Reports</u> | 4/42 |
| <u>Follow-up Schedule & Status</u> | 6/42 |
| <u>Airplane Utilization Audit</u> | 9/42 |
| <u>Developmental Education Scaling and Sustaining Success Grant Audit</u> | 14/42 |
| <u>Variable Expenditures Audit</u> | 18/42 |
| <u>Violence Against Women Act (VAWA) Audit</u> | 23/42 |
| <u>Compliance with Federal Requirements for the Student Financial Assistance Cluster for the Year Ending August 31, 2015</u> | 29/42 |
| <u>Attestation Disclosures</u> | 42/42 |
- V. Adjourn**



**Texas State Technical College
Internal Audit
Status of Fiscal Year 2016 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Report No.	Report Date
INTERNAL AUDITS				
Public Funds Investment Act Audit	Accounting & Finance	Complete	16-005A	9/3/15
Ft. Bend Construction Audit (TSTC Foundation)	Accounting & Finance	Complete	16-010A	9/29/15
College Assistance Migrant Program Grant Audit	Operations	Complete	16-009A	11/9/15
50th Anniversary Celebration Audit	Marketing	Complete	16-017A	12/11/15
Benefits Proportionality Audit	Accounting & Finance	Complete	16-015A	1/8/16
Variable Expenditures Audit	All divisions	Complete	16-008A	2/22/16
Airplane Utilization Audit	Office of the Chancellor	Complete	16-025A	3/17/16
Violence Against Women Act & Campus Sexual Violence Elimination Act Compliance Audit	Operations	Complete	16-006A	3/21/16
Developmental Education Scaling and Sustaining Success Grant	Operations	Complete	16-019A	3/24/16
Student Worker's Audit	All divisions	In Progress		
Internal Network Penetration Test	OIT	In Progress		
Campus Audits	All campuses	In Progress		
Portal Application Audit	OIT			
SB 20 Compliance Audit	All divisions			

EXTERNAL AUDITS

State Auditor's Office: A-133 Follow-up	Harlingen	Comple		2/25/16
State Auditor's Office: A-133 Follow-up	Waco	Comple		2/25/16
State Auditor's Office: A-133 Follow-up	West Texas	Comple		2/25/16
State Auditor's Office: A-133 Follow-up	Marshall	Comple		2/25/16
THECB: Perkins Basic Grant Programmatic Desk Review & Site Visit	OSP	In Progress		

OTHER INTERNAL PROJECTS

Internal Hotline: Allegation - An employee is going to school full-time while being paid as a full-time employee. Result - Found that the courses were being attempted as credit by exam, therefore, no conflict with work schedule was found. However, we determined that financial aid that was awarded needed to be returned by the employee because credit by exam is not eligible for such aid.	Harlingen	Complete	16-011I	10/12/15
Internal Hotline: Allegation - The legitimacy of financial aid of an employee's dependent was questioned. Result - By obtaining the tax transcripts used to apply for financial, aid, we determined the allegation was unsubstantiated.	Harlingen	Complete	16-012I	10/22/15
SAO Hotline: Allegation - Some employees in a specific area receive inflated salaries, and the supervisor promotes a hostile working environments for other employees. Result - This allegation was investigated by the HR Department. They did not find the allegation to have merit.	Harlingen	Complete	16-017I	11/17/15
Internal Hotline: Allegation - Employee attempted to sell College equipment without using the approved disposal process. Result - Determined the allegation had merit. Found the equipment was still on College property so the sale was stopped. Additionally, determined that the employee used College equipment off campus for an unrelated purpose. Employment was terminated.	Waco	Complete	16-014I	10/30/15

Description	Division/Campus	Status	Report No.	Report Date
Internal Hotline: Allegation - It was alleged that an employee abused her vouchering and check signing authorities. Result - We did not find any evidence that payments made to the employee were for anything other than legitimate business expenses.	Marshall	Complete	16-0201	1/13/16



**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
Airplane Utilization Audit (16-025A)	1.	No exceptions noted.				
Developmental Education Scaling and Sustaining Success Grant Audit (16-019A)	1.	No exceptions noted.				
Variable Expenditures Audit (16-008A)	1.	No exceptions noted.				
VAWA Audit (16-008A)	1.	Improvements are needed to better comply with VAWA. Specifically, we determined training, policy disclosures in the annual security reports, and other required disclosures were lacking.	<p>1) Some required policies, statistics, or elements were not included in the October 1st, 2015 annual security report/notice.</p> <p>2) An annual security report was not created for one of the campuses. The error seemed to stem from a misunderstanding between the report and the requirement to enter data in an electronic system provided by the Department of Education.</p> <p>3) Some written disclosures that are required to be given to victims are currently not being distributed. Furthermore, all campus security authorities need to be given the disclosures in case they are the first persons notified of alleged crimes.</p>	<p>1.1 The TSTC ASR for 2016 will include the required policies, statistics, and elements not included within the October 1st, 2015 annual security report/notice.</p> <p>1.2 All ten TSTC campuses will be included within an ASR(s) for 2016.</p> <p>1.3 The link to the TSTC Title IX Booklet will be provided to all enrolled TSTC students during student orientation at the beginning of each semester; in addition, each identified TSTC Campus Security Authority will be provided a hard copy as well as the link to the TSTCwebsite containing the Title IX Booklet.</p>	Rushing, Kilgore	10/1/16

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
			<p>4) Some campus security authorities were not identified at various campuses, causing them to be unaware of their responsibilities. And training of all campus securities needs to be improved.</p> <p>5) VAWA training for employees and students needs to be improved. We were unable to validate some training sessions that reportedly occurred, and some of the training that we could validate did not cover all of the required elements. Finally, a description of this training was not provided in the annual security reports.</p>	<p>1.4 Campus Security Authorities will be identified for each TSTC campus and will receive standardized training in accordance with the Clery Act Handbook.</p> <p>1.5 A standardized VAWA training module for employees and students will be created and published via Moodle.</p>	Rushing, Kilgore	10/1/16

Compliance with Federal Requirements for the Student Financial Assistance Cluster performed by the SAO.	1.	Cost of attendance components, such as personal expenses, need to be included only in the calculation for students who are eligible for them.		An automated process has been created that will remove room/board and other personal expenses from budgets for students who are enrolled less than full-time.	Adams	Awaiting SAO review
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**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
December 2010 Attestation Disclosure, Herrera	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.	On-going: As of 04/13/16, we had not received a response on our appeal to the finding from the FCC. TSTC General Counsel previously spoke with outside counsel on the matter who indicated the FCC is severely backlogged on appeals. They are just 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
Harlingen, Waco, Marshall, WT, Sys Ops: 2014 Employee Time Reporting Audits, Hoekstra	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.	Partially Complete: HR personnel have been trained to better scrutinize all manual times sheets. In December, the Payroll Department kicked off a project to automate the timesheets. IA was in attendance during the planning meetings with programmers. The programmers are currently working on the automation.		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.	See above comments		TBD
			1.4 Once the method for time reporting is determined, System-wide training will be implemented.	See above comments		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
Harlingen: A-133 Audit (performed by the SAO), Adams	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.	04/13/16: Partially implemented. SAO will retest in FY 2017.		2/1/17
Marshall: A-133 Audit (performed by the SAO), Adams	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.	04/13/16: Partially implemented. SAO will retest in FY 2017.		2/1/17
VA Benefits Compliance Audits (15-029A, 30A, 40A, 41A), Adams	1.	A centralized and standardized method for maintaining and monitoring documentation, and reporting enrollment data to the VA needs to be implemented. The processes currently on both campuses varies, with documentation and reporting exceptions noted at both.	We will: - Centralize files that contain all required documents for every student by scanning all documents for safekeeping in ImageNow. - Because some offices do not have scanners, equipment will need to be purchased as resources permit. - All school certifying officials will begin using curriculum information obtained from the THECB to evaluate courses and programs of study. - Obtain access to required documents maintained by other departments and determine a way to organize these. We feel these steps will help us better meet monitoring and reporting requirements.	On-going: Internal Audit will retest in October 31, 2016 and verify in the new system that (1) there is a standardized process system-wide, (2) the VA Department has access to the appropriate documents, (3) and there is evidence that they have reviewed the appropriate documents.		10/31/16
Cybersecurity Audit (15-049A), Herrera	1.	Controls related to wireless access and mobile devices need to be improved, as well as overall IT security training and awareness.	1.1 Due to network and hardware configuration, the following TSTC networks do not have separate guest and secure wireless: Sweetwater, Brownwood, Breckenridge, Abilene and Marshall. We are currently in the stages of correcting Brownwood and Breckenridge. The estimated completion date is October 31, 2015. Sweetwater and Marshall should be completed by July 2016 and Abilene by October 2016.	Partially Complete - At 03/02/16, the Brownwood and Breckenridge campuses have been completed. Marshall and Sweetwater are scheduled for completion by July 2016, with Abilene being scheduled completion by October 2016. The Marshall campus is currently in-progress and the Sweetwater campus is in the planning stage.		10/31/16

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
			1.3 A draft Mobility Management Policy has been created and is in the early stages of revision. Once OIT management has approved the draft it will go to the Information Technology Action Group for comment, revision and acceptance prior to going to EMC and the Chancellor for review. We expect the Mobility Management Policy to be in place by April 1st, 2016.	Partially Complete - At 03/02/16, a rough draft of the policy has been created.		6/1/16
VAWA Audit (16-008A), Rushing, Kilgore	1.	Improvements are needed to better comply with VAWA. Specifically, we determined training, policy disclosures in the annual security reports, and other required disclosures were lacking.	1.1 The TSTC ASR for 2016 will include the required policies, statistics, and elements not included within the October 1st, 2015 annual security report/notice. 1.2 All ten TSTC campuses will be included within an ASR(s) for 2016. 1.3 The link to the TSTC Title IX Booklet will be provided to all enrolled TSTC students during student orientation at the beginning of each semester; in addition, each identified TSTC Campus Security Authority will be provided a hard copy as well as the link to the TSTC website containing the Title IX Booklet.	On-going		10/1/16
			1.4 Campus Security Authorities will be identified for each TSTC campus and will receive standardized training in accordance with the Clery Act Handbook. 1.5 A standardized VAWA training module for employees and students will be created and published via Moodle.	On-going		10/1/16



Internal Audit Department

Audit Report

**Airplane Utilization Audit
of
TEXAS STATE TECHNICAL COLLEGE**

March 17, 2016

**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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We have completed a performance audit of the business use of an airplane available to the College through a like-kind exchange with SavAviation. The primary objective of the audit was to determine whether trips taken using the airplane were cost effective when compared to alternative modes of travel. We also reviewed travel to determine whether all travel was for

legitimate business purposes, and to determine whether any appropriated funds were expended as a result of using the airplane.

To accomplish our primary objective, we obtained the actual expenses associated with the twenty two trips taken to date on the airplane and compared them to available alternative modes of travel. For these alternative modes of travel, we projected the expenses as conservatively as possible while still being reasonable. Included in the analysis were vehicle, hotel, meal, and parking expenses, as well as all expenses associated with commercial flights. We also included a lost productivity factor based upon the hourly rates of the persons traveling. This factor represented the hours spent traveling rather than pursuing one's primary employment role. A similar analysis was also performed excluding the productivity factor. *[Note: We assumed that all travel for each person was necessary, and would have taken place regardless of the mode of travel.]* To meet our other objectives, we scrutinized the documented purposes for the travel and considered whether the destinations were reasonable. We also reviewed the fund sources used to pay for the travel.

We determined that all travel was for legitimate College business, and no travel and airplane expenses were paid from appropriated funds. Our analysis of expenses provided the following results:

With Productivity as a Cost

	Alternative Travel	Travel Using Airplane	Difference
Productivity	47,024.17	18,729.46	28,294.71
Vehicle Cost	1,462.66	0.00	1,462.66
Hotel Cost	6,739.00	534.00	6,205.00
Per Diem	4,153.60	354.00	3799.60
Parking	233.00	0.00	233.00
Commercial vs Private Flights	16,106.20	21,550.71	(5,444.51)
Total	75,718.63	41,168.17	34,550.46

Without Productivity as a Cost

	Alternative Travel	Travel Using Airplane	Difference
Vehicle Cost	1,462.66	0.00	1,462.66
Hotel Cost	6,739.00	534.00	6,205.00
Per Diem	4,153.60	354.00	3799.60
Parking	233.00	0.00	233.00
Commercial vs Private Flights	16,106.20	21,550.71	(5,444.51)
Total	28,694.46	22,438.71	6,255.75

Accordingly, we determined that **the twenty two trips taken to date using the airplane were significantly more cost effective than alternative modes of travel that were available.** This held true both when productivity was considered and when it was not considered. A top reason the use of the airplane has been more cost effective to date is because management has not materially exceeded the flight hours offered by the like-kind exchange agreement, eliminating the need to pay \$800 per flight hour. The cost effectiveness would quickly disappear, though, should flight hours significantly exceed the agreement. To illustrate this, travel using the airplane would have been \$44,800 higher if leasing costs were factored in for the hours the plane has been used. Through our analysis, we determined that management is closely monitoring usage, with all use being controlled through the Chancellor's Office. We identified isolated instances where individual trips were slightly more expensive using the airplane, but the differences were not material. Nevertheless, we recommended management perform an analysis similar to ours prior to scheduling every trip to identify individual trips where lowest cost may not be achieved. In those situations where the airplane is still used, we recommend the reasoning be explained, with approval documented.

Introduction

In February 2015, the College entered into a five year contract with SavAviation. In that agreement, the College agreed to exchange 8,992 square feet of hangar space with a monthly cash value of approximately \$1,900, for four hours per month of flight time valued at \$3,200. If those four hours are not used each month, the remaining hours roll over for up to 12 months. Any flight time that exceeds the contract terms is billed at \$800 per flight hour. For every flight, the College is responsible for pilot related fees and fuel. At the time of this audit, we calculated the College had exceeded its hour allotment by .85 hours, an amount yet to be billed by SavAviation.

The College's Statewide Operating Standard FA.6.1 – Official TSTC Employee Travel states that “travel must be planned and conducted to achieve maximum economy and efficiency considering all relevant circumstances.” It also states that use of the leased aircraft is subject to this principle, and that “productivity costs may be included in this analysis.”

All travel using the aircraft are coordinated and tracked through the Chancellor's Office. All flights to date have included more than one passenger. The passengers have generally included multiple members of the Executive Team. Finally, all expenses are paid from a local fund.

Objectives

The objectives of the audit were to determine whether:

- Use of the airplane is cost effective.
- All travel was for business purposes.
- Associated expenses were paid from appropriated funds.

Scope & Methodology

The scope of our audit included all trips taken on the airplane through February 16, 2016. To accomplish our objectives, we reviewed the contract with SavAviation and SOS FA.6.1, obtained actual expenses associated with the travel, and compiled estimates of expenses for alternative modes of travel.

General Observations

The contract with SavAviation provides \$1,300 more in services each month than would otherwise be provided by leasing the hangar for only monetary consideration. Management actively monitors use of the airplane, and has maximized the benefit by having this agreement in place.

Summary of Finding

No material exceptions were identified.

Opinion

Based on the audit work performed, all expenses associated with the airplane are paid from a local fund, all travel has been for legitimate College business, and the travel has achieved maximum economy and efficiency.

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



Submitted by:

A handwritten signature in black ink, appearing to read "Jason D. Mallory", is written over a horizontal line.

Jason D. Mallory, CPA, CIA
Director of Audits

03/17/16

Date



Internal Audit Department

Audit Report

**Developmental Education Scaling and Sustaining Success
Grant Audit
of
TEXAS STATE TECHNICAL COLLEGE**

March 24, 2016

**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 Developmental Education Scaling and Sustaining Success Grant (Grant). The Grant was awarded by the Texas Higher Education Coordinating Board (THECB), and benefitted students needing developmental education classes on the West Texas Campus.

The overall purpose of the Grant was to

integrate developmental education concepts into technical courses to shorten the amount of time required to complete a program. The Grant began in the Transportation Division, and was later extended to other instructional divisions. It was originally awarded on January 7, 2013 and had a total award amount of \$320,000. The award covered a two year period from Fall 2013 through Summer 2015. Our audit included all transactions in the Grant period.

The purpose of our audit was to determine whether:

- major Grant provisions were met. Those provisions required that integrated curriculum be developed, students obtaining minimum placement scores be admitted to the program, and that the program set up a continuous cycle of review, assessment, and revision.
- reporting requirements were met.
- expenditures that were paid by the Grant were permissible and legitimate.
- relevant records were secured.
- Grant agreements were executed by an appropriate level of management.
- access to the cash draw system was restricted.

Our testing revealed that 58 students benefitted from the Grant over the two year award period. All expenditures were appropriate, records were secured, Grant contracts were executed properly by the appropriate level of management and Grant reports were submitted timely. The Grant ended on August 31, 2015. Even though it has ended, the College has continued to expand the curriculum developed as a result of the Grant to other instructional areas.

Introduction

The Texas Higher Education Coordinating Board awarded the College a Developmental Education Scaling and Sustaining Success Grant worth \$320,000 for a two year period in January 2013. The purpose of the Grant was to shorten the amount of

time it takes for a student needing developmental education to complete an educational program of study by integrating developmental course concepts into first semester technical courses. In the first year, the developmental curriculum was integrated into the Transportation Division, which includes Automotive Collision Technology, Automotive Technology, and Diesel Technology. In the second year, the curriculum expanded into Wind Energy and Applied Engineering Technology programs. To participate in the integrated courses, a student had to achieve a minimum placement score. For students not achieving the minimum score, traditional developmental education classes were offered.

The College hired a consulting group to develop the integrated course content. Progress was constantly monitored, with improvements being made along the way. Even though the Grant term has ended, the College is still working to expand the integrated curriculum concepts into other instructional divisions and courses.

Objectives

The objectives of the audit were to determine whether:

- major Grant provisions, including reporting requirements, were met.
- expenditures that were paid by the Grant were permissible and legitimate.
- relevant records were secured.
- Grant agreements were executed by an appropriate level of management.
- access to the cash draw system was restricted.

Scope & Methodology

The scope of our audit included all Grant transactions and pertinent documentation from January 2013 through August 2015. To accomplish our objectives, we verified that integrated curriculum was developed and implemented, student entry requirements were met, and the program was constantly reviewed. We reviewed Grant expenditures to ensure they were allowable and evidenced by supporting documentation. We reviewed bi-annual progress reports for timeliness, and made other observations to support our opinion.

General Observations

By shortening the time it takes to complete an educational program of study for a student taking developmental courses, the objectives of the Grant fall in line with the College's overall

purpose of placing more Texans. Though the program started in only one instructional area, the College is continuing to expand the integrated curriculum concepts to other instructional areas.

Summary of Finding

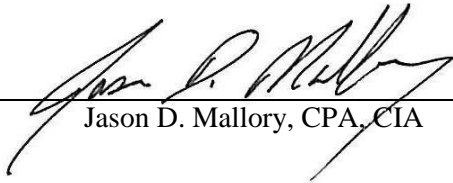
No material exceptions were identified.

Opinion

Based on the audit work performed, the Grant was administered properly. Grant objectives were met, expenditures were allowable and supported, contracts were properly executed, and reporting requirements were met.

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

3/24/16

Date



Internal Audit Department

Audit Report

**Variable Expenditures Audit
of
TEXAS STATE TECHNICAL COLLEGE**

February 22, 2016

**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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We have analyzed select variable expenditures made during fiscal years 2013 through 2015. The purpose of this project was to analyze spending in certain categories to identify potentially negative or unwarranted spending trends.

For the years under review, we downloaded all purchases, and analyzed them by spending category, purchasing department, and vendor paid. We focused on only certain categories because these categories represented indirect costs of the core business. All purchases made by the auxiliary business functions, Foundation, and any made from other non-College accounts were eliminated from this analysis so as to not skew the results. We felt those costs were either unrelated to the College or simply different in nature. The following is a summary of the spending categories we focused on, and our conclusions:

1. Food: From 2013 to 2014, increased \$19,118, from 2014 to 2015, increased \$2,446.

Notable observations:

- Single largest food vendor each year was TSTC Waco (over 30% of all food expenditures), indicating meetings are being catered in-house on the central campus.
- Citibank was the listed vendor in 11%, 22%, and 27% of all food purchases made in fiscal years 2013, 2014, and 2015, respectively. This indicates procurements cards are being increasingly used for these types of purchases.
- Total food purchases were relatively stable, exhibiting an increase of only 5% between 2013 and 2015.

2. Consumables: From 2013 to 2014, increased \$121,191, from 2014 to 2015, decreased \$210,618.

Notable observations:

- These expenditures consisted primarily of supplies, especially custodial type supplies.
- There was a decrease of approximately 6% between 2013 and 2015.
- The EWCHEC and North Texas campuses began operations during these periods of time, probably explaining the uptick in FY 2014, and the downtick in FY 2015 as practices normalized.

3. Training and Membership Fees: From 2013 to 2014, increased \$23,177, from 2014 to 2015, decreased \$131,652.

Notable observations:

- Spending on Skills USA increased 77% over the 3 year period, reflecting the increased focus of making this activity a priority.

- The cost of institutional memberships decreased 50% between fiscal years 2015 and 2014. This is most likely a reflection of increased scrutiny of those types of expenses, and the single accreditation efforts.
 - There was a decrease of approximately 14% between 2013 and 2015.
4. Professional Consulting Services: From 2013 to 2014, increased \$379,056, from 2014 to 2015, increased \$348,605.
Notable observations:
- There was an increase of approximately 418% between 2013 and 2015. That increase was primarily attributed to on-going single accreditation efforts, growth of C4EO, and marketing enhancements.
5. In-State Travel: From 2013 to 2014, decreased \$2,953, from 2014 to 2015, increased \$56,276.
Notable observations:
- There was an increase of approximately 7% between 2013 and 2015. That increase can be largely attributed to activities associated with single accreditation efforts and efforts to open new campuses.
 - Recruiting, marketing and field development accounted for 12% of the total expenditures in 2015, reflecting the increased efforts in those areas.
6. Out of State Travel: From 2013 to 2014, decreased \$80,206, from 2014 to 2015, decreased \$51,869.
Notable observations:
- There was a decrease of approximately 34% between 2013 and 2015. That decrease appears largely attributed to travel associated with workforce development contracts not being present in later years, and reduced travel associated with implementing competency based training.
 - In 2015, travel associated with Skills USA represented the largest expenditure in this category at \$12,762, again reflecting the focus on this activity by management.
7. Controlled Computer Equipment: From 2013 to 2014, increased \$300,462, from 2014 to 2015, decreased \$90,897.
Notable observations:
- There was an increase of approximately 19% between 2013 and 2015. The increase appears to be primarily in the instructional areas.
8. Furniture and Equipment: From 2013 to 2014, decreased \$214,464, from 2014 to 2015, decreased \$602,110.
Notable observations:

- There was a decrease of approximately 23% between 2013 and 2015. In FY 2014, spending on campus improvement projects peaked at \$307,166, but dramatically decreased the following year.

Our most notable conclusion based upon our analysis indicates that indirect spending, as expected, fluctuated based upon the priorities given by management. We noted increases in spending on food, consulting, in-state travel, and computer equipment over the 3 year period, with decreases in the other categories. Each fluctuation represented legitimate business activities. We did not identify any obvious or material instances of wasteful spending. In fact, between 2013 and 2015, the total spending decreased over 2% for all categories. Between FY 2014 and FY 2015, that decrease was even wider at 7.5%, reflecting the improvements made in the budgeting process and other controls.

Based upon our analysis, we feel management is reasonably controlling costs that were subjects in this audit, and is continuing to improve related controls. In discussions with management, they are aware of, and comfortable with, the spending levels in each category. Detailed charts and data of our analysis were presented to management for their review and consideration. While we did not cite any material exceptions in this audit, we reviewed College policies to determine specific guidance for the types of purchases covered in this audit. The only specific policy we determined to exist, other than the general purchasing policy, related to travel. Accordingly, we recommended management consider developing similar guidance for other categories to ensure spending is reduced to minimal levels to help maximize the funds available for the core business of education.

Introduction

The College purchased approximately \$40.4 million, \$35.9 million, and \$38 million in goods and services in FY 2013, 2014, and 2015, respectively. Of those purchases, we identified approximately \$8.57 million, \$9.12 million, and \$8.4 million in purchases related to food, consumables, travel, consulting, training, computers, and furniture/equipment in fiscal years 2013, 2014, and 2015, respectively. Those purchases were made by numerous departments throughout the State. Purchases were made either by using procurement cards or through the assistance of procurement personnel. The normal process of creating requisitions, purchase orders, and vouchers was followed.

All purchases were governed by Texas purchasing rules, and College purchasing policies. This audit was not specifically intended to validate that those rules were followed, rather to identify potential opportunities to reduce variable indirect costs.

Objectives

The purpose of the project was to analyze spending in select variable categories to identify potentially negative or unwarranted spending trends.

Scope & Methodology

The scope of our audit included all purchases related to food, consumables, travel, consulting, training, computers, and furniture/equipment for fiscal years 2013 through 2015. To accomplish our objective, we downloaded all purchase vouchers from that time period, and analyzed and compared the data.

General Observations

We noted during our analysis that procurement rules and processes are being followed. We also noted that increases in certain expenditures fall in line with the direction the College is currently heading, and that management is aware of and comfortable with the levels of spending in each category. We did not identify any blatantly wasteful spending. All of the expenditures we analyzed appeared to benefit the College in some manner.

Summary of Finding

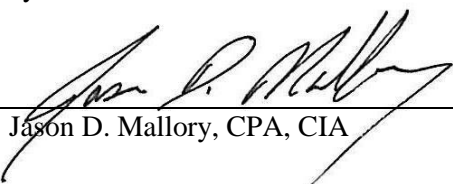
No material exceptions were identified.

Opinion

Based on the audit work performed, spending on variable indirect expenditures does not, as individual categories, materially impact the College's financial statements. Management is reasonably controlling these expenditures through its budgeting and procurement processes. All decreases and increases were the result of legitimate activities.

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

February 22, 2016

Date



Internal Audit Department

Audit Report

**Violence against Women Act (VAWA) Compliance Audit
of
TEXAS STATE TECHNICAL COLLEGE**

March 21, 2016

**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 completed a compliance audit of the Violence Against Women Act (VAWA). The purpose of the audit was to ensure the College is in compliance with the Code of Federal Regulation 34 CFR Part 668. We tested crime statistics included in each annual security report, as well as required policy statements. We also reviewed and verified College

procedures related to dating and domestic violence, sexual assault, and stalking crimes to ensure the incidents were handled properly.

Our testing included reviewing the annual security reports published by each campus on October 1, 2015. In the course of that review, we scrutinized policy statements, crime statistics, and the method of distribution. We verified that VAWA type crimes that have recently occurred on our campuses were handled in an appropriate and unbiased manner to ensure all parties were treated fairly, and that the victim was not re-victimized. We also tested VAWA awareness and training.

Because VAWA essentially added requirements to the Clery Act (Clery), we expanded the scope of this audit to test select provisions of that act as well. Specifically, we contacted designated campus security authorities to gauge their awareness of their responsibilities, and to determine whether all VAWA and other Clery incidences were included in the annual security report. We also reviewed the annual notice of annual security reports availability.

We did not identify any incidents that were undisclosed on the annual security report, and we feel the investigations and related disciplinary actions performed during recent VAWA incidents were unbiased and handled in ways to not re-victimize. We did determine, however, that improvements are needed to better comply with VAWA provisions. Specifically, training, policy disclosures in annual security reports, and other policy disclosures were lacking.

Introduction

On March 7th, 2013, President Obama signed the Violence Against Women Reauthorization Act of 2013 (VAWA) (Pub. L. 113-4), which, among other provisions, amended section 485(f) of the HEA, otherwise known as the Jeanne Clery Disclosure of

Campus Security Policy and Campus Crime Statistics Act (Clery Act). Clery requires institutions of higher education to comply with certain campus safety and security related requirements as a condition of their participation in the Title IV (federal financial aid), and other HEA programs. Notably, VAWA amended Clery to require institutions to compile statistics for incidents of dating and domestic violence, sexual assault, and stalking and to include certain policies, procedures, and educational programs pertaining to these incidents in their annual security reports. Colleges were given a grace period since 2013 to comply with VAWA. Full compliance was effective July 1, 2015.

The intent of this regulation is to strengthen the rights of victims of the crimes listed above, and to help students, prospective students, families, employees and potential employees to be better informed about each campus' safety and security procedures. Failure to comply subjects the College to potential loss of Title IV funding, as well as other financial and reputational penalties.

Compliance to Clery and VAWA is an organizational wide effort; however, the Campus Safety and Security Reporting are overseen by the Executive Director of Governance, Risk, and Compliance, and the administration of VAWA is overseen by Associate Vice Chancellors of Student Development/Enrollment Services.

Objectives

The purpose of the audit was to verify the College complied with the Violence Against Women ACT (34 CFR Part 668) and select provisions of the Clery Act.

Scope & Methodology

The scope of our audit included crime data and related procedures for calendar years 2014 and 2015. We developed our audit criteria using the Code of Federal Regulation 34 CFR Part 668 Violence Against Women Act, the Clery Center For Security on Campus – Checklist, VAWA Amendments to Clery, Clery Center For Security on Campus – Policy Statements Annual Security Report (2015), and The Handbook for Campus Safety and Security Reporting. Our methods consisted of reviewing the policy statements and disclosures in the 2015 annual security reports of each campus, interviewing campus security authorities, reviewing training programs, and reviewing recent VAWA crimes to ensure they were handled properly.

General Observations

We determined that there is a culture of investigating and handling crimes covered under VAWA and Clery in an unbiased and professional manner. It appears great care is taken to not re-victimize the victims, and disciplinary proceedings are well defined and handled according to those guidelines. We did not find any evidence to suggest mishandlings of incidents of this nature have occurred at the College like those of other colleges recently in the news throughout the nation.

Summary of Findings

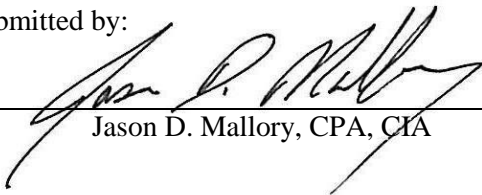
Improvements are needed to better comply with VAWA. Specifically, we determined training, policy disclosures in the annual security reports, and other required disclosures were lacking.

Opinion

Based on the audit work performed, we did not identify any VAWA related incidents that were not reported or handled appropriately through the investigation/disciplinary processes. However, other key provisions of VAWA were found to not be fully implemented. We detailed these issues in separate communications to the responsible personnel, and noted their willingness to address the issues.

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

March 21, 2016

Date

AUDIT FINDING DETAIL

Finding #1: Improvements are needed to better comply with VAWA. Specifically, we determined training, policy disclosures in the annual security reports, and other required disclosures were lacking.

Criterion: The Clery Act requires that an annual security report be completed, published and distributed by October 1st each year, and include items such as policy statements, crime statistics, and information about prevention programs. VAWA amended the Clery Act to include statistics, policies, procedures, and programs to incidents of dating and domestic violence, sexual assault, and stalking in the College annual security report.

In our testing, there were instances where:

- Some required policies, statistics, or elements were not included in the October 1st, 2015 annual security report/notice.
- An annual security report was not created for one of the campuses. The error seemed to stem from a misunderstanding between the report and the requirement to enter data in an electronic system provided by the Department of Education.
- Some written disclosures that are required to be given to victims are currently not being distributed. Furthermore, all campus security authorities need to be given the disclosures in case they are the first persons notified of alleged crimes.
- Some campus security authorities were not identified at various campuses, causing them to be unaware of their responsibilities. And training of all campus securities needs to be improved.
- VAWA training for employees and students needs to be improved. We were unable to validate some training sessions that reportedly occurred, and some of the training that we could validate did not cover all of the required elements. Finally, a description of this training was not provided in the annual security reports.

Consequences: Penalties for non-compliance with the Clery Act include fines up to \$35k per violation and loss of eligibility for federal student aid programs.

Possible Solution: Review the Violence Against Women Act 34 CFR Part 668 and the Handbook for Campus Safety and Security Reporting to ensure all required elements are included in the annual security report. Additionally, establish a process to track, monitor, and update campus security authorities and trainings.

Management Response:

Division: Governance, Risk, Compliance Division,
Student Development / Enrollment Management Division

Senior Management: Ray Rushing, Jeff Kilgore

Task	Brief Description	Responsible Individual	Completion Date
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Task	Brief Description	Responsible Individual	Completion Date
1.1	The TSTC ASR for 2016 will include the required policies, statistics, and elements not included within the October 1st, 2015 annual security report/notice.	Ray Rushing	10/1/2016
1.2	All ten TSTC campuses will be included within an ASR(s) for 2016.	Ray Rushing	10/1/2016
1.3	The link to the TSTC Title IX Booklet will be provided to all enrolled TSTC students during student orientation at the beginning of each semester; in addition, each identified TSTC Campus Security Authority will be provided a hard copy as well as the link to the TSTC website containing the Title IX Booklet.	Jeff Kilgore	10/1/2016
1.4	Campus Security Authorities will be identified for each TSTC campus and will receive standardized training in accordance with the Clery Act Handbook.	Ray Rushing	10/1/2016
1.5	A standardized VAWA training module for employees and students will be created and published via Moodle.	Jeff Kilgore	10/1/2016

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.

Recommendation:

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

Views of Responsible Officials 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.

Views of Responsible Officials 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.

Views of Responsible Officials and Corrective Action Plan 2015:

The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process is run to adjust the tuition and book components of the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed according to the students' actual enrollment at official census date.

We met with our IT department programmer to request an automated process that will remove the Room/Board and Personal Expenses budget components in the COA for students who are enrolled less-than half time. TSTC Tracker Ticket #4567 was created on January 21, 2016 for this process and we expect to have this fully implemented before the start of the Summer, 2016 term. We will then be able to utilize this new functionality to properly adjust the cost of attendance for all students who are enrolled during the 2015-16 award year. The Financial Aid System Analyst who was hired in January 2015 will be in charge of these procedures and will develop reports to assure that the process has calculated the cost of attendance figures accurately.

During this period of time the Texas State Technical College System Board approved the merger of all Texas State Technical Colleges into One College statewide with 11 locations. The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the consolidation/merger as of June 11, 2015 and receive the Program Participation Agreement from The Department of Education on August 20, 2015.

Implementation Date: August 2016

Responsible Person: Federico Peña, Jr., Javier Nieto and April Falkner

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.

Corrective Action:

Corrective action was taken.

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

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)).

Initial Year Written: 2013
Status: Implemented

U.S. Department of Education

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.

Corrective Action:

Corrective action was taken.

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).

Initial Year Written: 2014
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 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.

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.

Views of Responsible Officials and Corrective Action Plan 2014:

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.

Views of Responsible Officials and Corrective Action Plan 2015:

The College calculates initial cost of attendance and awards based on full-time enrollment. After the census date each semester, an automated process is run to adjust the tuition and book components of the cost of attendance based on the student's actual enrollment levels. Awards are adjusted as needed according to the students' actual enrollment at official census date.

We met with our IT department programmer to request an automated process that will remove the Room/Board and Personal Expenses budget components in the COA for students who are enrolled less-than half time. TSTC Tracker Ticket #4567 was created on January 21, 2016 for this process and we expect to have this fully implemented before the start of the Summer, 2016 term. We will then be able to utilize this new functionality to properly adjust the cost of attendance for all students who are enrolled during the 2015-16 award year. The Financial Aid System Analyst who was hired in January 2015 will be in charge of these procedures and will develop reports to assure that the process has calculated the cost of attendance figures accurately.

During this period of time the Texas State Technical College System Board approved the merger of all Texas State Technical Colleges into One College statewide with 11 locations. The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the consolidation/merger as of June 11, 2015 and receive the Program Participation Agreement from The Department of Education on August 20, 2015.

Implementation Date: August 2016

Responsible Person: Federico Peña, Jr., Javier Nieto and April Falkner

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.

Corrective Action:

Corrective action was taken.

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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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.

Corrective Action:

Corrective action was taken.

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: 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.

Corrective Action:

Corrective action was taken.

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

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)).

Initial Year Written: 2013

Status: Implemented

U.S. Department of Education

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.

Corrective Action:

Corrective action was taken.

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

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)).

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

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

Corrective Action:

Corrective action was taken.



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
	No new issues were reported this quarter.			

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.