

# Board of Regents

## Audit Committee

### Meeting

May 3, 2017

Austin, Texas



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

**AT&T Executive Education and Conference Center  
Room 104  
1900 University Avenue  
Austin, TX 78705**

**Wednesday, May 3, 2017  
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:**
- None.**
- IV. Reports:**
- [Status of Fiscal Year 2017 Audit Schedule & Other Projects](#) ..... 2/55
- [Summary of Audit Reports](#) ..... 4/55
- [Follow-up Schedule & Status](#) ..... 7/55
- [Marshall Welding Instructional: Departmental Audit](#) ..... 12/55
- [West Texas Provost: Departmental Audit](#)..... 18/55
- [Audit to Detect Financial Aid Fraud](#)..... 22/55
- [West Texas Welding Instructional: Departmental February](#) ..... 26/55
- [Dual Enrollment: Billing and Collection Audit](#)..... 31/55
- [Review of Personnel Policies and Procedures Systems](#)..... 36/55
- [Federal Portion of the Statewide Single Audit for the FY Ended August 31, 2016](#)..... 49/55
- [Attestation Disclosures](#) ..... 55/55
- V. Adjourn**



**Texas State Technical College  
Internal Audit  
Status of Fiscal Year 2017 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Report No.	Report Date
<b>INTERNAL AUDITS</b>				
Facilities Development Project Compliance Audit	Harlingen	Complete	17-008A	10/28/2016
Departmental Audit	Office of COO	Complete	17-006A	10/28/2016
Reconciliation of Statewide TSI Exam Fees	Integrated Marketing	Complete	17-012A	11/1/2016
Internal Quality Assessment Review	Internal Audit	Complete	17-003A	11/21/2016
Departmental Audit	Office of External Relations	Complete	17-009A	12/14/2016
Departmental Audit	Welding - Marshall Campus	Complete	17-013A	3/2/2017
Departmental Audit	Provost - West Texas Campuses	Complete	17-016A	3/15/2017
Financial Aid Fraud Audit	Financial Aid	Complete	17-004A	3/21/2017
Dual Enrollment Audit	Operations	Complete	17-015A	4/5/2017
Departmental Audit	Welding - West Texas	Complete	17-017A	4/4/2017
TAC 202 Audit	OIT	In progress		
Departmental Audit	Provost - Harlingen	In progress		
Departmental Audit	Developmental Education - Harlingen	In progress		
Departmental Audit	Diesel - Ft. Bend	In progress		
Departmental Audit	HVAC - Ft. Bend	In progress		
Construction Audit	TBD			
SB 20 Contract Audit	Purchasing			

**EXTERNAL AUDITS**

State Auditor's Office: A-133 Follow-up	Harlingen	Complete	17-027	2/21/2017
State Auditor's Office: A-133 Follow-up	Marshall	Complete	17-027	2/21/2017
Texas Commission on Law Enforcement: Agency Audit	Waco Police	Complete	6302	10/25/2016
Texas Commission on Law Enforcement: Agency Audit	Sweetwater Police	Complete	5505	1/12/2016
FAA: Annual Inspection of Automated Weather Observing System (AWOS)	Waco Airport	Complete	Written report not issued.	
Texas Workforce Commission: Personnel Policies & Procedures Review	HR	Complete		2/28/2017
Thomas P Miller & Associates: DOL TAACCCT Grant	OSP	In progress		
DOL: Monitoring Visit for TAACCCT Grant	OSP	In progress		
THECB: 2015/2016 Perkins Grant Programmatic Desk Review (West Texas)	OSP	In progress		
THECB: 2015/2016 Perkins Grant Desk Review (Harlingen)	OSP	In progress		
THECB: 2015/2016 Perkins Grant Desk Review (Waco)	OSP	In progress		
THECB: 2015/2016 Perkins Grant Desk Review (Marshall)	OSP	In progress		
THECB: 2015/2016 Perkins Grant Desk Review (West Texas)	OSP	In progress		

**OTHER INTERNAL PROJECTS**

Internal Hotline: Allegation - Employee wasted money by engaging a consultant that added no value to the College. Results - Determined that value was added by the consulting engagement to several IT projects, that the engagement occurred during the consolidation of OIT, and the engagement was not a unilateral decision. No waste noted.	OIT	Complete	17-005I	9/16/2016
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<b>Description</b>	<b>Division/Campus</b>	<b>Status</b>	<b>Report No.</b>	<b>Report Date</b>
Theft of Cash Investigation - Investigated a cash shortage at the North Texas Campus. Determined that additional money was missing, but because of the lack of controls, could not reliably determine whether it was theft.	North Texas	Complete	16-037I	9/29/2016
Internal Hotline: Allegation - Supervisor abused his/her position by misusing federal funds for personal travel, and to fund disallowable activities. Results - Could not validate the allegation, but control gaps were noted.	Cross-divisional/Harlingen	Complete	17-010I	1/20/2017
Risk Assessment of the giftshop for the Harlingen Challenger Center - We reviewed the objectives and risks associated with the giftshop. Our project objective was to recommend controls related to accounting, sales tax, cash, and inventory to management.	Integrated Marketing	Complete	17-014RA	N/A
SAO Hotline: Allegation - Supervisor traveled with another employee, who is also a friend. Travel was perceived as wasteful. Results - Investigation could not be performed because the anonymous allegation was too vague. No specific employees were named. I reached out to the SAO for guidance, and they indicated that they have no way to communicate with the reporter.	Unknown	Complete	17-018I	2/15/2017
SAO Hotline: Allegation - Cell phone emoluments need to be reviewed. The report was unclear on whether the reporter took exception to the process for approving such emoluments, or they disagreed with specific ones. Results - Did not identify an obviously wasteful expenses. A review of the current process for approving stipends reasonably controls waste. Furthermore, the annual expense Statewide is approximately \$65 thousand.	Waco	Complete	17-019I	3/28/2017



**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
<b>Marshall Welding Instructional: Departmental Audit (17-013A)</b>	1. We identified numerous exceptions related to inventory control in the Welding Department.	<p>1. 7 welding machines purchased using TPFA funds on January 6, 2016 were tagged with inventory tags, but not recorded in the inventory tracking system at the time of our testing. We were informed that the current procedure is to not record those items in the tracking system until the end of the year. We recognize that the machines identified in this audit are below the capitalization threshold, however, TPFA documentation specifically lists the tag #s, implying the items are tracked.</p> <p>2. We identified another 7 welding machines that were tagged and not included in the previously mentioned purchase that were also not recorded in the inventory tracking system. We also identified 5 welding machines that were not tagged. It is entirely possible the original cost of all of these machines was less than the capitalization threshold. In the past, items could be tracked on the inventory system without being capitalized if a steward so desired. It appears that this may have been the intent on the machines that include tags.</p>	1.1 There was a need to review existing policies and procedures related to the inventory process. As a result, a team composed of approximately 15 employees representing, procurement, inventory, grants, and the TSTC foundation was created to look at existing processes and make recommendations to streamline and standardize processes as appropriate. This team began meeting in December 2016 and currently meets every two weeks. The first order of business for the team was to create a list of all the different activities and functions related to inventory and create sub-groups to work on each of the 18 topics identified. The topics include items such as: review of SOS's, standardizing inventory tags, review forms, and review the inventory process for assets acquired using TPFA funds, etc. The group will continue to meet on a regular basis until all items have been reviewed and any recommended changes have been implemented. The topics that include items related to the findings from this audit will be given the highest priority to ensure standard processes are developed and followed by all inventory teams statewide.	Hoekstra	TBD
		<p>3. We identified a computer that was tagged with an inventory tag, but not recorded in the inventory tracking system as a controlled asset. The consequence of this is that the computer is not subject to the annual inventory process.</p> <p>4. We identified 2 welding machines that were tagged and recorded in the inventory system, but assigned to a steward that left employment in 2012. Additionally, those machines are marked as disposed of in 2011, but were being used at the time of our tests. We also identified 2 assets that were transferred from the Ft. Bend Campus to the Marshall Campus, but the inventory system has yet to be updated, even though the documentation has been completed.</p>			
<b>West Texas Provost: Departmental Audit (17-016A)</b>	1.	No material exceptions noted.			
<b>Audit to Detect Financial Aid Fraud (17-004A)</b>	1.	No material exceptions noted.			

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
West Texas Welding Instructional: Departmental February (17-017A)	1.	No material exceptions noted.				
Dual Enrollment: Billing and Collection Audit (17-015A)	1.	Business processes that support dual enrollment, to include recording receivables, billing and collecting, and obtaining signed memorandums, need to be improved.	<p>1. \$36,575 in Dual Enrollment fees were unbilled and unpaid. Of that, \$14,775 was owed by students, with the remainder owed by various school districts. The classes associated with the fees were taught as far back as Fall 2015.</p> <p>2. 3 MOU's were not signed by the College and/or respective ISD, and we were unable to obtain 13 MOU's for inspection.</p> <p>3. We identified several students enrolled in dual enrollment courses who did not have applicable fees recorded (to either them or their school district). In the investigation that spawned this audit, we noted that Student Accounting relies upon a spreadsheet created by dual enrollment personnel to record receivables. Our observations indicate that the spreadsheet is not a reliable method for ensuring all applicable fees are recorded, and subsequently billed.</p>	1.1 The TSTC 2017-2018 MOU was revised in coordination with the Dual Enrollment team; Beth Holquin, Marina Wilcox, Rene Ralston & Kori Bowen, stating the new DE policy, billing procedures, exceptions and amendments. The revised MOU clearly states who will sign the MOU and that all MOU's statewide will be housed on the Sweetwater campus and Lulu Morales will be responsible for accountability of each ISD. A Google spreadsheet has been created for all DE managers to log each ISD, date sent, and date received in the Sweetwater office. Marina Wilcox will be the TSTC representative signing the MOU's.	Lawrence	3/29/2017
				1.2 The billing and student accounting process for Dual Enrollment was a complete manual process with no system of checks and balances. Rick Herrera and Orlando Penuelas have been tasked to head up the Dual Enrollment "Front End Team" which will be addressing the automization of the student accounting/billing system in conjunction with Deborah Gibson. Through the revision of the MOU and its processes, as per Jonathon Hoekstra and the Business Intelligence team, all billing will be made through the ISD. If the ISD is not paying, it will be their responsibility to collect all tuition and fees from the student. Recommendations from the Audit report have been relayed to the Front End Team.	Hoekstra	7/31/2017
Review of Personnel Policies and Procedures Systems (performed by TWC)	1.	TSTC does not have a recruitment plan.	1. TSTC should develop and implement a current recruitment plan based on the workforce analysis. Specifically, TSTC should concentrate on recruitment of African Americans and females in the categories where these minority groups are underutilized.	TSTC has developed and immediately implemented a recruitment plan based on the completed workforce analysis.	Rushing	Cleared during audit

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
			2. TSTC should conduct an ongoing assessment of progress and review of employment decisions based on the workforce analysis and recruitment plan. And it should review hiring actions for EEO compliance.	HR plans to address this observation and best practice by identifying and analyzing areas of our employment process so as to further the principles of equal employment opportunity. We will modify the on-line employment process to ensure demographic data regarding race, gender & ethnicity are protected by collaborating with our on-line applicant vendor and our in-house IT department. New hires will be reviewed to ensure that there is no discrimination in the hiring process, and that the most qualified person is hired.		
	2.	The performance appraisal policy states that each employee will have a written performance evaluation annually.	26 of the 30 files reviewed were not compliant. <i>(After an extension was granted, TWC verified a 90% performance completion rate.)</i>	A list of employees has been provided to each campus to be used to track employees evaluations being completed at each location. Management is committed 100% to take action in order to get into compliance. Numerous communication tools have been used to communicate to our employees the extension of our deadline.	Rushing	Cleared during audit
			TSTC will benefit by reducing alleged discrimination by clearly outlining all performance evaluations are reviewed for EEO compliance. For example, use of an HR stamp, signature or checklist validating EEO compliance review.	All performance evaluations will be reviewed for EEO compliance by HR, and an EEO compliance stamp will be used to validate the review.		
	3.	The EEO, including sexual harassment, training program needs to be monitored for accuracy.	16 of 30 employee files showed non-compliance with EEO/Sexual Harassment training, with 8 indicating no training at all.	Because of a glitch in the TWC on-line training program, we want to explore purchasing the TWC on-line program. If budget does not allow, we will require employees to complete the on-line training and submit a certification of completion to us to put in the employee's file.	Rushing	Cleared during audit
			There are some employees listed on the training roster that are not listed on the master employee listing.	We will update our master list.		
<b>10. Federal Portion of the Statewide Single Audit Report for the FY Ended August 31, 2016</b>	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 of students enrolled in less than 6 hours.	Kilgore	Pending review by SAO



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
Harlingen, Waco, Marshall, WT, Sys Ops: 2014 Employee Time Reporting Audits, Rushing	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>Partially Complete:</b> HR personnel have been trained to better scrutinize all manual time sheets. In January 2016, an IT project was approved to create a single State-wide application to manage leave requests, accruals, and timesheets. This system will be computing device agnostic.	10/12/16: The training with Human Resources personnel has occurred. HR continues to meet with OIT on modifications to the leave request and accrual system. One phase of that project is anticipated to reach completion this fall.	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>	Additional programming is still pending with IT on the Leave Request System. An update related to other significant technical issues with the system delayed dedicated programming time specific to Compensatory time alone. The next change that is in line for the Leave system is Compensatory time. Additional standardization of the paper forms continues as well as internal controls to monitor timekeeping while other solutions are pending.	TBD
			1.4 Once the method for time reporting is determined, System-wide training will be implemented.	<b>See above comments</b>	Training cannot be completed until the update of the system is complete.	TBD
Harlingen: A-133 Audit (performed by the SAO), Wolaver	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>Ongoing:</b> 04/06/17: The finding was reissued because corrective action was not completed until after their testing date. It will be retested by the SAO in the 2017 Single Audit.		2/1/2018



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
Marshall: A-133 Audit (performed by the SAO), Wolaver		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>Ongoing:</b> 04/06/17: The finding was reissued because corrective action was not completed until after their testing date. It will be retested by the SAO in the 2017 Single Audit.		2/1/2018
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.	<b>Partially Complete:</b> At 12/19/16, the Brownwood, Breckenridge, and Marshall campuses have been completed. Sweetwater and Abilene are scheduled for completion by July 15, 2017. The delay is due to a piece of equipment needing to be purchased.		7/15/2017
			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.	<b>Partially Complete:</b> There is a draft mobility policy, but it has not been fully approved. Because this is a TAC 202 control, we will evaluate it in light of those requirements once it has been approved and implemented.		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
Internal Network Penetration Test (16-016A), Herrera	1. We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end-user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers.	We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT.	<b>Substantially Complete:</b> As of 12/14/16, 8 of 9 corrective action plans have been completed. The only item that is pending to be completed is CAP 2.1 relating to secured logons to lab computers.	In regards to 2.1: The feasibility of implementing the technology has been completed and we are submitting a budget request to purchase necessary software to perform this task. Once budget approval is funded, it will be a 24 month implementation time frame. Estimated completion date based on budgeting cycle is Aug 2019.	8/31/2019
Senate Bill 20 Audit (16-007A), Rushing, Hoekstra	1. Certain required statements are missing from the Ethics and Standards of Conduct policy, and the contract management handbook and contract review procedures/checklist are not yet completed.	1.1 We will soon be in the process of hiring an SB 20 specialist, whose job will include devising the statutorily required checklist and handbook, and to ensure compliance with the statute going forward.	<b>Partially Complete:</b> On 12/1/16, Maria Magana was hired as the SB 20 Contract Specialist. As of 4/6/17, the contract management handbook and checklists have been complete; however, after a "test run" with the checklist, it was determined that revisions were needed. Final revisions are expected to be completed in 2 weeks, following review and approval by the Executive Management team.		4/30/2017
Reconciliation of Statewide TSI Exam Fees (17-012A), Kilgore, Hoekstra	1. Stronger controls need to be established to account for all earned exam fees, regardless of whether they are collected or waived.	1.5 The Statewide leads for Advisement & Testing and Student Accounting will meet quarterly to reconcile the accounts. A report will be provided to the AVC/Financial Services and VP/Enrollment Services.	<b>Partially Complete:</b> 04/06/17 - The person leading this effort is no longer with the College. This task will be re-assigned. An inform sentence has been written to assist with the reconciliation, but the first reconciliation won't be completed until the end of th Spring 2017 semester.		5/31/2017

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
Departmental Audit of Marshall Welding Department (17-013A), Hoekstra	1.	We identified numerous exceptions related to inventory control in the Welding Department.	1.1 There was a need to review existing policies and procedures related to the inventory process. As a result, a team composed of approximately 15 employees representing, procurement, inventory, grants, and the TSTC foundation was created to look at existing processes and make recommendations to streamline and standardize processes as appropriate. This team began meeting in December 2016 and currently meets every two weeks. The first order of business for the team was to create a list of all the different activities and functions related to inventory and create sub-groups to work on each of the 18 topics identified. The topics include items such as: review of SOS's, standardizing inventory tags, review forms, and review the inventory process for assets acquired using TPFA funds, etc. The group will continue to meet on a regular basis until all items have been reviewed and any recommended changes have been implemented. The topics that include items related to the findings from this audit will be given the highest priority to ensure standard processes are developed and followed by all inventory teams statewide.	<b>Ongoing:</b> 04/06/17 - We are aware that the team referenced in the CAP is actively meeting, and addressing inventory issues. We have forwarded them issues identified in prior audits, and have had conversations with team members about planned improvements. We will follow-up on their progress in July to verify efforts are progressing.		TBD

Dual Enrollment Audit (17-015A), Lawrence and Hoekstra	1.	Business processes that support dual enrollment, to include recording receivables, billing and collecting, and obtaining signed memorandums, need to be improved.	1.1 The TSTC 2017-2018 MOU was revised in coordination with the Dual Enrollment team; Beth Holquin, Marina Wilcox, Rene Ralston & Kori Bowen, stating the new DE policy, billing procedures, exceptions and amendments. The revised MOU clearly states who will sign the MOU and that all MOU's statewide will be housed on the Sweetwater campus and Lulu Morales will be responsible for accountability of each ISD. A Google spreadsheet has been created for all DE managers to log each ISD, date sent, and date received in the Sweetwater office. Marina Wilcox will be the TSTC representative signing the MOU's.	<b>Pending Review:</b> 04/06/17 - We have verified that the MOU template has been revised to include the language discussed in the CAP. We will follow-up in September to verify the process for the MOUs is working as management intends.		3/29/2017
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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
			1.2 The billing and student accounting process for Dual Enrollment was a complete manual process with no system of checks and balances. Rick Herrera and Orlando Penuelas have been tasked to head up the Dual Enrollment "Front End Team" which will be addressing the automization of the student accounting/billing system in conjunction with Deborah Gibson. Through the revision of the MOU and its processes, as per Jonathon Hoekstra and the Business Intelligence team, all billing will be made through the ISD. If the ISD is not paying, it will be their responsibility to collect all tuition and fees from the student. Recommendations from the Audit report have been relayed to the Front End Team.	<b>Ongoing:</b> 04/06/17 - We will follow-up in October 2017 to ensure the billing process has been improved, and working as management intends.		7/31/2017
<b>Student Accounting (2017 Attestation), Hoekstra</b>	1.	Summary: It was discovered that billing for an articulation agreement between the College and a local university was over 18 months behind.	The Financial Services division has shifted focus to further consolidate processes across the campuses. The Finance Chief of Staff is temporarily assigned to the department to participate with Student Accounting leadership in fully evaluating the processes within the department and further assessing issues therein. There are several opportunities to significantly improve collection processes both within student accounts receivable and sponsored billing (institutional) receivables. We are currently working through the outstanding receivables with Baylor University and are reasonably certain the balance will be collected. In addition, personnel are reviewing other accounts receivable balances for collectability.	<b>Pending Review:</b> We will follow-up to ensure the balances referenced in the report are collected, and we will verify outstanding accounts receivable beyond 90 days old are being handled appropriately (still collectible, doubtful, etc.)		TBD

## **Internal Audit Department**

### **Audit Report**

**Departmental Audit of Welding Instructional Department (17-013A)**  
**TEXAS STATE TECHNICAL COLLEGE**  
**Marshall Campus**

**March 2, 2017**

**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

We recently completed a departmental audit in the Welding Instructional Department (Department) on the Marshall Campus as of January 31, 2017. The audit focused on compliance to numerous College policies related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security. The following table summarizes the areas reviewed, and our results:

Topic	Test Focus	Results
Purchasing	Split purchases, proper approvals, proper documentation, clear benefit to College, completed training purchasing training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Procurement Cards	Secure custody of cards, monthly completion and reconciliation of logs, legitimate purchases, proper approvals, split purchases, training.	In compliance.
Travel	Legitimacy of travel, proper approval, correct State rates.	In compliance.
Inventory Control	Assets are secured, physical inventory was accurately completed within the last year, any transferred, missing, or disposed of items have the appropriate documentation on file.	Not in compliance. Finding issued.
Cash Handling	Access to cash is properly restricted, all cash on hand is accounted for, and there are proper segregation of duties are in place.	Not applicable. The Department does not handle cash.
Work Study	Student workers schedules and duties, validity of timesheets, financial need of students.	In compliance.
Staffing Levels	Appropriateness of staffing levels.	Levels appeared appropriate.
Employee Leave	Approval for all leave, appropriate documentation on file for extended leaves of absences.	In compliance.

Performance Evaluations	Written employee performance evaluations performed in the past year.	In compliance.
Safety	Safety awareness and compliance to hazardous chemicals, fire extinguishers, indoor air quality, eyewash and showers stations, concealed handgun policy, small appliance policy, driver safety program.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Minors on Campus	Appropriate training and background checks.	Not applicable. The Department does not regularly interact with minors.
Required Training	Driver Safety, Information Security Awareness, Active Shooter, Title IX	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Time Keeping	Unusual entries, proper approval, timely submission, and overtime amounts on timesheets.	In compliance.
IT	Password protected screensavers, appropriate Colleague access, Identity Finder software, use of OIT servers, social engineering.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.

Overall, the Department was in compliance with the governing policies tested. As noted above, isolated exceptions were identified, but none represented material non-compliance. Those incidences were discussed with management, and corrective action was implemented.

### Introduction

The Welding Instructional Department in Marshall offers a multi-craft welding certificate. The program of study is 3 semesters long, with 46 required credit hours. There are three full time instructors who are responsible for the 72 students enrolled for the Spring 2017 semester. Career opportunities for welding students include manufacturing shops, maintenance shops, steel erection operations, ship building yards, and oil field jobs. The annual median salary for welders in the State is \$41,000.

The Department had total expenditures of \$210,025 for fiscal year 2016 using both local and appropriated funds. Those expenditures were comprised of \$160,050 in salaries and

\$49,975 in other operating cost. The other operating cost include consumables, such as welding rods, gases, and maintenance of related equipment.

### **Objectives**

The objective of the audit was to ensure the Department acted in accordance to College policy in the select areas previously noted.

### **Scope & Methodology**

The scope of our audit included all Departmental activities and transactions in fiscal year 2016 related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security . The following Statewide Operating Standards and other guidelines formed the basis of our testing: FA 1.16, FA 5.4, Procurement Card Program Guidelines and training, FA 6.1, FA 1.13, FA 1.19, FA 2.1, FA 2.2, IFAP Volume 6 Chapter 2, HR 2.3.12 through HR 2.3.14, HR 2.3.18, HR 2.2.3, HR 2.2.8, GA 5.1.1 through GA 5.1.7, and GA 1.6.1 through GA 1.6.12 We also reviewed departmental staffing levels and required training participation.

### **General Observations**

The Marshall Welding department helps the College fulfill its State mandated mission of placing more Texans. They have accomplished this by graduating 21 students in calendar year 2016. They are mindful to comply with College policies while fulfilling their responsibilities. The welding lab in Marshall is well organized and student safety is a high priority for instructors.

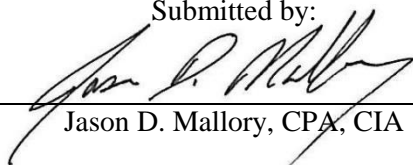
### **Summary of Findings**

We identified numerous exceptions related to inventory control in the Welding Department.

### **Opinion**

Based on the audit work performed, we determined that the Welding Department on the Marshall Campus is in compliance with the College policies tested in this audit. We did identify exceptions with inventory controls that need to be addressed. We would like to express our gratitude for the time and assistance provided by the staff during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

March 2, 2017

Date



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### AUDIT FINDING DETAIL

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Finding #1: We identified numerous exceptions related to inventory control in the Welding Department.

**Criterion:** We tested compliance to SOS FA 1.19, Real and Personal Property Accountability in the Welding Instructional Department. Specifically, we verified that the Department conducts a physical inventory of its assets annually, and that assets can be easily located and are properly recorded. We also ensured assets were assigned to the persons within the Department, had asset tags attached, and are properly safeguarded from theft and damage.

We identified the following exceptions:

- 7 welding machines purchased using TPFA funds on January 6, 2016 were tagged with inventory tags, but not recorded in the inventory tracking system at the time of our testing. We were informed that the current procedure is to not record those items in the tracking system until the end of the year. We recognize that the machines identified in this audit are below the capitalization threshold, however, TPFA documentation specifically lists the tag #s, implying the items are tracked.
- We identified another 7 welding machines that were tagged and not included in the previously mentioned purchase that were also not recorded in the inventory tracking system. We also identified 5 welding machines that were not tagged. It is entirely possible the original cost of all of these machines was less than the capitalization threshold. In the past, items could be tracked on the inventory system without being capitalized if a steward so desired. It appears that this may have been the intent on the machines that include tags.
- We identified a computer that was tagged with an inventory tag, but not recorded in the inventory tracking system as a controlled asset. The consequence of this is that the computer is not subject to the annual inventory process.
- We identified 2 welding machines that were tagged and recorded in the inventory system, but assigned to a steward that left employment in 2012. Additionally, those machines are marked as disposed of in 2011, but were being used at the time of our tests. We also identified 2 assets that were transferred from the Ft. Bend Campus to the Marshall Campus, but the inventory system has yet to be updated, even though the documentation has been completed.
- 

**Consequences:** Assets could be misappropriated without being readily detected, and associated records are not accurately stated.

**Possible Solution:** We recommend current inventory practices be re-evaluated in light of single accreditation, and be standardized across all campuses. For legacy issues, we recommend they be individually addressed as they are identified.

**Management Response:****Division:** Finance**Executive Management:** Jonathan Hoekstra, VC/CFO

<b>Task</b>	<b>Brief Description</b>	<b>Responsible Individual</b>	<b>Completion Date</b>
1.1	We recognized that there was a need to review existing policies and procedures related to the inventory process. As a result, a team composed of approximately 15 employees representing, procurement, inventory, grants, and the TSTC foundation was created to look at existing processes and make recommendations to streamline and standardize processes as appropriate. This team began meeting in December 2016 and currently meets every two weeks. The first order of business for the team was to create a list of all the different activities and functions related to inventory and create sub-groups to work on each of the 18 topics identified. The topics include items such as: review of SOS's, standardizing inventory tags, review forms, and review the inventory process for assets acquired using TPFA funds, etc. The group will continue to meet on a regular basis until all items have been reviewed and any recommended changes have been implemented. The topics that include items related to the findings from this audit will be given the highest priority to ensure standard processes are developed and followed by all inventory teams statewide.	Mary Hernandez, Chad Wooten	TBD

## **Internal Audit Department**

### **Audit Report**

#### **Departmental Audit of the West Texas Provost Office (17-016A) TEXAS STATE TECHNICAL COLLEGE**

**March 15, 2017**

**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

We recently completed an audit of the West Texas Provost Office (Department) as of February 28, 2017. The audit focused on compliance to numerous College policies related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security. The following table summarizes the areas reviewed, and our results:

Topic	Test Focus	Results
Purchasing	Split purchases, proper approvals, proper documentation, obvious benefit to College, completed training purchasing training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Procurement Cards	Secure custody of cards, monthly completion and reconciliation of logs, legitimate purchases, proper approvals, split purchases, training.	In compliance.
Travel	Legitimacy of travel, proper approval, correct State rates.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Inventory Control	Assets are secured, physical inventory was accurately completed within the last year, any transferred, missing, or disposed of items have the appropriate documentation on file.	In compliance.
Cash Handling	Access to cash is properly restricted, all cash on hand is accounted for, and there are proper segregation of duties are in place.	Not applicable. The Department does not handle cash.
Work Study	Student workers schedules and duties, validity of timesheets, financial need of students.	Not applicable. The Department does not employ student workers.
Staffing Levels	Appropriateness of staffing levels.	Levels appeared appropriate.
Employee Leave	Approval for all leave, appropriate documentation on	In compliance.

	file for extended leaves of absences.	
Performance Evaluations	Written employee performance evaluations performed in the past year.	In compliance.
Safety	Safety awareness and compliance to hazardous chemicals, fire extinguishers, indoor air quality, eyewash and showers stations, concealed handgun policy, small appliance policy, driver safety program.	In compliance.
Minors on Campus	Appropriate training and background checks.	Not applicable. The Department does not regularly interact with minors.
Required Training	Driver Safety, Information Security Awareness, Active Shooter, Title IX	In compliance.
Time Keeping	Unusual entries, proper approval, timely submission, and overtime amounts on timesheets.	Not applicable. Department does not have any non-exempt employees.
IT	Password protected screensavers, appropriate Colleague access, Identity Finder software, use of OIT servers, social engineering.	In compliance.

Overall, the Department was in compliance with the governing policies tested. As noted above, isolated exceptions were identified, but none represented material non-compliance. Those incidences were discussed with management, and corrective action was implemented.

### Introduction

The West Texas Provost Office consisted of the Provost and a Senior Executive Assistant. The Department had total expenditures of \$133,517 for fiscal year 2016. Regarding the expenditures, the total amounts were from local and E&G funds. The actual expenditures in fiscal year 2016 were \$121,679 in salaries, \$1,668 in travel, and \$10,170 in other operating cost.

The Provost Office is responsible for administrative oversight, execution of policies and strategic initiatives, and the overall management of daily operation for the four West Texas

campuses. In addition, she fosters a positive work culture that helps make TSTC a great place to work. She is also responsible for building and maintaining relationships throughout the community. This is accomplished by the Provost participating in speaking engagements, serving on community committees, and communicating with local and regional elected officials.

### **Objectives**

The objective of the audit was to ensure the Department acted in accordance to College policy in the select areas previously noted.

### **Scope & Methodology**

The scope of our audit included all Departmental activities and transactions in fiscal year 2016 related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security . The following Statewide Operating Standards and other guidelines formed the basis of our testing: FA 1.16, FA 5.4, Procurement Card Program Guidelines and training, FA 6.1, FA 1.13, FA 1.19, FA 2.1, FA 2.2, IFAP Volume 6 Chapter 2, HR 2.3.12 through HR 2.3.14, HR 2.3.18, HR 2.2.3, HR 2.2.8, GA 5.1.1 through GA 5.1.7, and GA 1.6.1 through GA 1.6.12 We also reviewed departmental staffing levels and required training participation.

### **General Observations**

The West Texas Provost Office oversees the four West Texas Campuses. The Department is mindful to comply with College policies. When minor instances of non-compliance were discovered during the audit, the department took steps to immediately resolve the issues and clear the exceptions.

### **Summary of Findings**

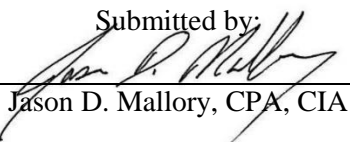
No material exceptions were identified.

### **Opinion**

Based on the audit work performed, we determined that the West Texas Provost office is in compliance with the College policies tested in this audit.

We would like to express our gratitude for the time and assistance provided by the staff during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

March 15, 2017

Date

## **Internal Audit Department**

### **Audit Report**

#### **Audit to Detect Financial Aid Fraud (17-004A)** **TEXAS STATE TECHNICAL COLLEGE**

**March 21, 2017**

**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**

We recently completed an audit in which we applied various techniques to detect potential fraud in federal financial aid disbursed by the College. Specifically, we searched for “straw” students – fictitious students set up for the sole purpose of fraudulently obtaining financial aid. All students who were disbursed aid during the fall semester of 2015 through the fall semester of 2016 were subject to our scrutiny. We tested over of 725 students in an attempt to identify any straw student.

We obtained data submitted by potential students to the Department of Education when applying for federal financial aid. We were especially interested in students who were actually disbursed aid. Using this data, we searched for students who had e-mail addresses, home addresses, social security numbers, and telephone numbers similar to other students. When similarities were found, we reviewed academic and financial aid records, as well as student ID information, in an attempt to explain the similarities.

We also focused heavily on distance learning students. This particular segment has been responsible for a recent nationwide uptick in fraud due to identity theft. As with other fraud schemes, criminals steal identities and use those identities to apply for financial aid. Distance learning is a natural avenue for fraud because students may never step on campus.

We were able to gain reasonable assurance that the disbursements of aid were not based on fraudulent identities. The manner in which financial aid is disbursed, along with the diligence of staff to verify identity prior to issuing student ID cards, are key controls which help prevent this type of fraud. Because criminals are always finding new ways around safeguards, we made recommendations to the management team to add some controls, but the controls they currently rely upon are working.

## **Introduction**

From the fall semester of 2015 through the fall semester of 2016, the College disbursed close to \$63 million in federal financial aid. That aid was based upon a financial need analysis derived from information submitted by potential students to the Department of Education (ED). Any undetected dishonesty in that information could have led to an over award of aid.

On September 26, 2011, the ED’s inspector general (IG) issued a report about fraud rings operating on distance education programs offered by institutions participating in federal student aid programs. The IG’s report identified an increasing number of cases involving large, loosely affiliated groups of individuals (fraud rings) who conspire to defraud federal financial aid programs through distance education programs. These fraud rings generally target institutions with low tuition and involve a ringleader who:



- Obtains identifying information from individuals who willingly, and sometimes unwillingly, provide the information – including some who were incarcerated, by promising financial gain.
- Completes multiple financial aid applications using the information collected (name, Social Security number, date of birth, etc.).
- Applies for admission under the institution's open admissions program, where little or no third-party documentation is required.
- Participates in the amount of on-line interaction necessary to establish participation in the academic program and secure disbursements under an institution's procedures.

Once the ringleader has submitted the federal student financial aid application and completed enrollment at the institution, the institution draws down federal student aid funds, deducts the institutional charges assessed the straw student, and disburses the credit balances to the straw student by check or debit card.

The IG's report found that complaints about distance education fraud rings are expected to continue, given that distance education is the fastest growing segment of higher education. Institutions offer the front line of protection and are essential to the ED's efforts to thwart fraud and protect taxpayer dollars. Institutions are required to take steps to ensure that students are academically engaged prior to disbursing federal student aid funds.

The College had 1,291 students who participated only in on-line classes during at least one of the semesters covered by this audit. Like others, these students were eligible for, and most received, federal financial aid. Because programs currently taught by the College typically require a hands-on approach, the distance learning segment is not as large as it generally is at academic only institutions. Nevertheless, the inherent risk of fraud remains. Control activities are performed by the ED, by the financial aid offices at each campus, and by student accounting when they issue student ID cards.

## **Objectives**

The objective of the audit was to detect potential fraud in federal financial aid disbursed by the College, and to ensure controls are adequate to limit the risk.

## **Scope & Methodology**

The scope of our audit included all federal aid disbursed in the fall semester of 2015 through the fall semester of 2016. We analyzed data submitted by students to the ED to detect anomalies. For all detected anomalies, we reviewed financial aid, academic, and student ID records to determine whether those anomalies were reasonably explained. Particular attention was given to distance learning students.

### General Observations

The manner that all financial aid is disbursed, along with the fact that government issued identification is verified prior to student ID cards being issued, are keys to preventing the fraud schemes tested in this audit. Through conversations and observations, we determined that persons involved in the various activities related to these controls understood their importance. The hands-on nature of the programs taught at the College generally does not lend itself to excessive on-line courses, but technology and innovation could change that. Discussions with managers in the operations division directly involved with distance learning are aware of the risks, and are actively seeking improvements to current controls to ensure academic integrity, which in turn will continue to limit financial aid fraud.

### Summary of Findings

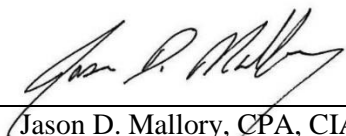
No material exceptions were identified.

### Opinion

Based on the audit work performed, we were able to gain reasonable assurance that the disbursements of federal financial aid were not based on fraudulent identities. Furthermore, the controls to prevent fraud are working as intended.

We would like to express our gratitude for the time and assistance provided by the staff during this audit.

Submitted by:

  
\_\_\_\_\_  
Jason D. Mallory, CPA, CIA

March 21, 2017

\_\_\_\_\_  
Date

## **Internal Audit Department**

### **Audit Report**

**Departmental Audit of Welding Instructional Department (17-017A)**  
**TEXAS STATE TECHNICAL COLLEGE**  
**West Texas Campus**

**April 4, 2017**

**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

We recently completed a departmental audit in the Welding Instructional Department (Department) on the West Texas Campus as of February 28, 2017. The audit focused on compliance to numerous College policies related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security. The following table summarizes the areas reviewed, and our results:

Topic	Test Focus	Results
Purchasing	Split purchases, proper approvals, proper documentation, clear benefit to College, completed training purchasing training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Procurement Cards	Secure custody of cards, monthly completion and reconciliation of logs, legitimate purchases, proper approvals, split purchases, training.	Not applicable.
Travel	Legitimacy of travel, proper approval, correct State rates.	Not applicable.
Inventory Control	Assets are secured, physical inventory was accurately completed within the last year, any transferred, missing, or disposed of items have the appropriate documentation on file.	In compliance.
Cash Handling	Access to cash is properly restricted, all cash on hand is accounted for, and there are proper segregation of duties are in place.	Not applicable. The Department does not handle cash.
Work Study	Student workers schedules and duties, validity of timesheets, financial need of students.	Not applicable.
Staffing Levels	Appropriateness of staffing levels.	Levels appeared appropriate.
Employee Leave	Approval for all leave, appropriate documentation on file for extended leaves of absences.	In compliance.

Performance Evaluations	Written employee performance evaluations performed in the past year.	In compliance.
Safety	Safety awareness and compliance to hazardous chemicals, fire extinguishers, indoor air quality, eyewash and showers stations, concealed handgun policy, small appliance policy, driver safety program.	In compliance.
Minors on Campus	Appropriate training and background checks.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Required Training	Driver Safety, Information Security Awareness, Active Shooter, Title IX	In compliance.
Time Keeping	Unusual entries, proper approval, timely submission, and overtime amounts on timesheets.	Not applicable.
IT	Password protected screensavers, appropriate Colleague access, Identity Finder software, use of OIT servers, social engineering.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.

Overall, the Department was in compliance with the governing policies tested. As noted above, isolated exceptions were identified, but none represented material non-compliance. Those incidences were discussed with management, and corrective action was implemented.

### Introduction

The Welding Instructional Department in West Texas consists of programs on three West Texas campuses, Sweetwater, Brownwood, and Breckenridge. The Sweetwater campus offers a Pipe Welding Certificate, which takes two semesters and 29 credit hours to complete. Both the Brownwood and Breckenridge campuses offer a Structural Welding Certificate. This program takes two semesters and 30 credit hours to complete. The department has five full time instructors spread across the three locations. Currently, there are 118 students enrolled in the programs, with 104 graduates last calendar year. Career opportunities for welding students include manufacturing shops, maintenance shops, steel erection operations, ship building yards, and oil field jobs. The annual median salary for welders in the State is \$41,000.

The Department had total expenditures of \$405,655 for fiscal year 2016 using both local and appropriated funds. Of that amount \$151,909 was for the Sweetwater program, \$155,328 for Brownwood, and \$98,418 for Breckenridge. Those expenditures were comprised of \$257,734 in salaries and \$147,921 in other operating cost. The other operating cost include consumables, such as welding rods, gases, and maintenance of related equipment.

### **Objectives**

The objective of the audit was to ensure the Department acted in accordance to College policy in the select areas previously noted.

### **Scope & Methodology**

The scope of our audit included all Departmental activities and transactions in fiscal year 2016 related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security . The following Statewide Operating Standards and other guidelines formed the basis of our testing: FA 1.16, FA 5.4, Procurement Card Program Guidelines and training, FA 6.1, FA 1.13, FA 1.19, FA 2.1, FA 2.2, IFAP Volume 6 Chapter 2, HR 2.3.12 through HR 2.3.14, HR 2.3.18, HR 2.2.3, HR 2.2.8, GA 5.1.1 through GA 5.1.7, and GA 1.6.1 through GA 1.6.12 We also reviewed departmental staffing levels and required training participation.

### **General Observations**

The West Texas Welding department helps the College fulfill its State mandated mission of placing more Texans. They have accomplished this by graduating 104 students in calendar year 2016. They are mindful to comply with College policies while fulfilling their responsibilities. The welding labs in West Texas are clean and well organized, with newer equipment. Student safety is a high priority for instructors.

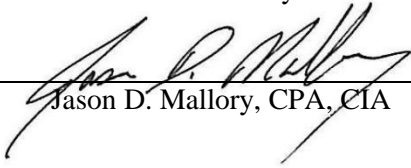
### **Summary of Findings**

No material exceptions were identified.

### **Opinion**

Based on the audit work performed, we determined that the Welding Department in West Texas is in compliance with the College policies tested in this audit. Minor exceptions were identified, but none represented significant variances from policy. Management quickly addressed all recommendations. We would like to express our gratitude for the time and assistance provided by the staff during this audit.

Submitted by:

  
Jason D. Mallory, CPA, CIA

April 4, 2017

Date

## **Internal Audit Department**

### **Audit Report**

#### **Billing and Collection Audit - Dual Enrollment (17-015A)** **TEXAS STATE TECHNICAL COLLEGE**

**April 5, 2017**

**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**

We have completed an audit of the billing and collection processes related to dual enrollment activity at the West Texas, Marshall and Waco campuses. The audit was performed after we reviewed similar processes on the Harlingen campus during an unrelated investigation and found accounting processes needed to be improved to ensure all fees associated with dual enrollment were properly recorded, billed, and collected. The Vice President over Dual Enrollment Initiatives requested we perform a detailed audit at the other campuses to determine whether all recent amounts have been recorded and billed.

Our audit included all dual enrollment activity at the campuses mentioned above. We focused on all dual enrollment activity that occurred in Fall 2015 through Fall 2016. Specifically, we reconciled recorded fees to students who participated in dual enrollment, traced receivables to collections, and reviewed associated memorandums of understanding (MOUs) to ensure all fees were in accordance to those agreements.

The conclusions and recommendations regarding the need to enhance business processes made during in the fraud investigation were again supported by our test work in this audit. We determined that approximately \$36 thousand in dual enrollment fees dating as far back as Fall 2015 have not been billed or collected, MOUs were not being consistently obtained and/or signed, and associated fees (revenue) for several students who participated in dual enrollment were not recorded. With plans to grow this line of business, we encourage management to continue with their enhancements to ensure all future activity benefits students, and supports the objectives of the College.

## **Introduction**

Dual enrollment is a tuition-waived program that allows high school juniors and seniors to take courses and earn simultaneous credits in both high school and college. Depending on the agreement with the respective school districts, these courses are available at high school campuses through a credentialed instructor, on our campus, or through a distance learning class taught by a TSTC instructor. Courses are approved by the both the College and school districts, with grades being recorded on the student's permanent college transcript.

Each high school participating in the dual enrollment were supposed to signed an MOU that outlined the responsibilities of both parties, to include the fee for participating, and whether the students or school district would be responsible for payment of the fees. The fee for the majority of high schools was generally \$50 per student, but select districts had lower fees. Based on the billing spreadsheets prepared by the Department, 2,246 students from 83 high schools in 70 school districts participated in dual enrollment during Fall 2015 through Fall 2016. These figures do not include participation in Harlingen.

The activity is managed by Dual Enrollment Department at each campus. Staff consists of a Vice President, four managers (at least one at each location), two advisors, and a staff assistant.

### Objectives

The objective of the audit was to verify dual enrollment activity generated by the West Texas, Marshall and Waco campuses is appropriately recorded, billed and collected.

### Scope & Methodology

Our audit included all dual enrollment activity at the campuses mentioned above. We focused on all dual enrollment activity that occurred in Fall 2015 through Fall 2016. To offer an opinion, we reconciled recorded fees to students who participated in the activity, traced receivables to collections, and reviewed associated memorandums of understanding (MOUs) to ensure all fees were in accordance to those agreements..

### General Observations

Dual enrollment allows high school students to receive high school and College credit simultaneously. House Bill 5 (HB 5), passed by the Texas Legislature in 2013, made substantial changes to the State's curriculum and graduation requirements for high school students. The College is naturally aligned to this effort given the technical programs it offers. Activity to date has impacted thousands of students throughout the State, and serves as a pathway for increased certificates and degrees awarded by the College. Management is actively seeking to expand this line of business.

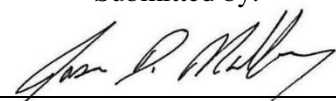
### Summary of Findings

Business processes that support dual enrollment, to include recording receivables, billing and collecting, and obtaining signed memorandums, need to be improved.

### Opinion

Based on the audit work performed, we identified exceptions in recording, billing, and collecting fees associated with dual enrollment. Furthermore, the act of obtaining and/or signing MOUs was inconsistent. We would like to express our appreciation for the time and assistance provided by the staff during this audit.

Submitted by:

  
\_\_\_\_\_  
Jason D. Mallory, CPA, CIA

April 5, 2017

\_\_\_\_\_  
Date

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### AUDIT FINDING DETAIL

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Finding #1: Business processes that support dual enrollment, to include recording receivables, billing and collecting, and obtaining signed memorandums, need to be improved.

**Criterion:** We reviewed billing spreadsheets maintained by the dual enrollment staff, to determine whether all fees owed by students or school districts were billed and collected. We used signed MOU's to determine the fees and party responsible for payment. We also inquired about procedures for completing and maintaining the billing spreadsheet, and whether the students listed are verified by anyone else other than the dual enrollment employees prior to accounting entries being made.

Our test work revealed the following issues:

- \$36,575 in Dual Enrollment fees were unbilled and unpaid. Of that, \$14,775 was owed by students, with the remainder owed by various school districts. The classes associated with the fees were taught as far back as Fall 2015.
- 3 MOU's were not signed by the College and/or respective ISD, and we were unable to obtain 13 MOU's for inspection.
- We identified several students enrolled in dual enrollment courses who did not have applicable fees recorded (to either them or their school district). In the investigation that spawned this audit, we noted that Student Accounting relies upon a spreadsheet created by dual enrollment personnel to record receivables. Our observations indicate that the spreadsheet is not a reliable method for ensuring *all* applicable fees are recorded, and thus subsequently billed.

**Consequences:** All revenue and receivables associated with dual enrollment are not recorded, resulting in expenses and cash outlays without corresponding revenue and cash inflows.

**Possible Solution:** Automate the recordation of dual enrollment fees as students enroll in courses, with those fees being tied to executed MOUs.

#### Management Response:

**Division:** Instructional Operations, Financial Services

**Senior Management:** Kyle Smith, Associate Vice Chancellor  
Gail Lawrence, Executive Vice Chancellor  
Jonathan Hoekstra, Vice Chancellor/CFO

Task	Brief Description	Responsible Individual	Completion Date
1.1	The TSTC 2017-2018 MOU was revised in coordination with the Dual Enrollment team; Beth Holquin, Marina Wilcox, Rene Ralston & Kori Bowen, stating the new DE policy, billing procedures, exceptions and amendments. The revised MOU clearly states who will sign the MOU and that all MOU's statewide will be housed on the Sweetwater campus and Lulu Morales will be responsible for accountability of each ISD. A Google spreadsheet has been created for all DE managers to log each ISD, date sent, and date received in the Sweetwater office. Marina Wilcox will be the TSTC representative signing the MOU's.	Marina Wilcox	March 29, 2017
1.2	The billing and student accounting process for Dual Enrollment was a complete manual process with no system of checks and balances. Rick Herrera and Orlando Penuelas have been tasked to head up the Dual Enrollment "Front End Team" which will be addressing the automization of the student accounting/billing system in conjunction with Deborah Gibson. Through the revision of the MOU and its processes, as per Jonathon Hoekstra and the Business Intelligence team, all billing will be made through the ISD. If the ISD is not paying, it will be their responsibility to collect all tuition and fees from the student. Recommendations from the Audit report have been relayed to the Front End Team.	Marina Wilcox, Rick Herrera, Orlando Penuelas	July 31, 2017

# Texas Workforce Commission

A Member of Texas Workforce Solutions

Andres Alcantar, Chairman  
Commissioner Representing  
the Public

Ruth R. Hughs  
Commissioner Representing  
Employers

Julian Alvarez  
Commissioner Representing  
Labor

Larry E. Temple  
Executive Director

February 28, 2017

Mr. Mike Resser  
Chancellor & CEO  
Texas State Technical College  
3801 Campus Drive  
Waco, TX 76705

Re: CERTIFICATION LETTER  
Texas Workforce Commission Civil Rights Division Review of Personnel Policies  
and Procedures Systems

Dear Mr. Resser:

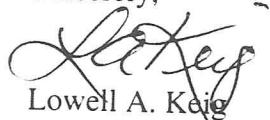
The Texas Workforce Commission Civil Rights Division (the Division) has completed the review of the personnel policies and procedures systems of your agency/institution of higher learning ("agency") under Texas Labor Code §§ 21.451 – 21.456. Based on that review and your agency's implementation of the recommendations of the Division, I hereby certify that your agency's personnel policies and procedures systems comply with Texas Labor Code Chapter 21.

**As specified in the Texas Labor Code, § 21.454, your agency must submit a report to the Governor, the Legislature, the Legislative Budget Board, and the Civil Rights Division within 60 days. A sample report format is attached.**

Although this review is now concluded, your agency is scheduled for its next review in six (6) years. The Division may advance or delay this schedule up to one year to take into account agencies being abolished or combined, or new agencies being created. In addition, if a risk assessment indicates a need for a more frequent review, such review may be conducted pursuant to Texas Labor Code §21.453(a-1). Until your next review, we are available for technical assistance under Texas Labor Code § 21.003(a)(5).

Thank you for the opportunity to work with your staff. If you have questions, please contact Ellena E. Rodriguez, EEO Compliance Monitor, at (512) 463-4618 or [Ellena.Rodriguez@twc.state.tx.us](mailto:Ellena.Rodriguez@twc.state.tx.us)

Sincerely,



Lowell A. Keig  
Director, Civil Rights Division

Cc: Ms. Hannah Love  
Associate Vice Chancellor, HR

Attachment: Sample Report Format

101 E. 15th Street • Guadalupe CRD Austin, Texas 78778-0001 • (512) 463-2222 • Relay Texas: 800-735-2989 (TDD) 800-735-2988 (Voice) •  
[www.texasworkforce.org](http://www.texasworkforce.org)

TEXAS  
WORKFORCE SOLUTIONS  
• 36/55



{ SAMPLE REPORT FORMAT – Using your agency letterhead }

{Date}

The Honorable Greg Abbott  
Governor of Texas  
State Capital  
P. O. Box 12428  
Austin, Texas 78711-2428

The Honorable Dan Patrick  
Lieutenant Governor of Texas  
P. O. Box 12068  
Austin, Texas 78711-2068

The Honorable Joe Straus  
Speaker of the House  
Texas House of Representatives  
P. O. Box 2910  
Austin, Texas 78768-2910

Ms. Ursula M. Parks  
Director  
Legislative Budget Board  
P. O. Box 12666  
Austin, Texas 78711-2666

Re: CERTIFICATION LETTER  
Texas Workforce Commission Civil Rights Division Review of Personnel Policies and  
Procedures Systems

Dear Governor Abbott, Lt. Governor Patrick, Speaker Straus, and Ms. Parks:

Pursuant to the requirements contained in Texas Labor Code, Section 21.454, I am pleased to report that the {Name of your agency/institution} has undergone a review of our personnel policies and procedures systems by the Texas Workforce Commission Civil Rights Division. The Division has made recommendations, which were implemented by our agency, and the Division has certified us as compliant.

Sincerely,

(Name of Executive Director/Commissioner)  
Title

cc: Mr. Lowell A. Keig  
Director, Civil Rights Division  
Texas Workforce Commission  
101 East 15<sup>th</sup> Street, CRD Guadalupe  
Austin, Texas 78778-0001

# Texas Workforce Commission

A Member of Texas Workforce Solutions

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## CIVIL RIGHTS DIVISION PERSONNEL POLICIES AND PROCEDURES REVIEW CHECKLIST

Texas State Technical College (TSTC) – All Branches #719  
3701 Campus Drive – Administration Building  
Waco, TX 76705

Date of Initial On-Site Conference: October 31, 2016

Reviewer: Kathleen Mahan Michaud/Ellena E. Rodriguez

PERSONNEL SELECTION POLICIES/WORKFORCE DIVERSITY PROGRAM	Chapter/ Page	Yes/No Or N/A
<b>1. <u>Workforce Diversity Program: Workforce Analysis &amp; Recruitment Plan</u></b>		
a. Has the agency/institute of higher learning conducted an analysis of its current workforce and compared the number of African Americans, Hispanic Americans and females in each job category to the available statewide civilian workforce to determine the percentage of exclusion or underutilization by each category? (TLC § 21.452 and 21.501)	TSTC Workforce Analysis	Yes
b. Based on the workforce analysis, or court ordered remedies, or supervised conciliation agreement, has the agency/institute of higher learning developed and implemented a plan to recruit qualified African Americans, Hispanic Americans and females? (TLC § 21.452 and 21.502)		No
<b>2. <u>Job Advertisements:</u></b> Do job advertisements refrain from indicating a preference, limitation, specification or discrimination based on race, color, national origin, religion, sex, age or disability? (TLC § 21.059(a))  (If no, the agency must demonstrate that a bona fide occupational qualification exists for disability, religion, sex, national origin or age to be in compliance. (TLC § 21.059(b)))	HR.2.1.14 Page 3	Yes
<b>3. <u>Hiring Procedures:</u></b>		
a. Has the agency/institute of higher learning published written selection procedures? (TLC § 21.452)	Faculty & Staff Handbook Page 19  HR.2.1.14	Yes

PERSONNEL SELECTION POLICIES/WORKFORCE DIVERSITY PROGRAM - Continued		Chapter/ Page	Yes/No Or N/A
b.	Do written selection procedures incorporate a workforce diversity program and ensure that all selection decisions are made only on lawful, job related and non-discriminatory criteria? (TLC § 21.452)	HR.2.1.14 Page 3	Yes
c.	Does the policy include clear guidance for an applicant screening device and selection matrix to be used to objectively compare an applicant's qualifications to a job advertisement and to other applicants for the position? (Best Practice)	HR.2.1.14	Yes
d.	Do procedures include guidance on developing interview questions that cover objective, job related criteria and provide information on the applicants' knowledge and competencies to perform the job? (Best Practice)	HR.2.1.14 Page 4	Yes
e.	Do procedures require a review of hiring actions for EEO compliance? (Best Practice)	HR.2.1.14	Yes
f.	Does the review of samples of hiring actions indicate that the agency implemented the selection procedures? (TLC § 21.452).		No

## SECTION SUMMARY:

### Findings and Recommendations:

#### Finding:

TSTC does not have a Recruitment Plan.

#### Recommendations:

TSTC should develop and implement a current Recruitment Plan based on the workforce analysis. Specifically, TSTC should concentrate on recruitment of African Americans and females in the categories where these minority groups are underutilized.

#### Management Comments:

TSTC has developed and immediately implemented a recruitment plan based on the completed TSTC workforce analysis.

#### *Recommendation implemented.*

### Observations and Best Practices:

TSTC should conduct an ongoing assessment of progress and review of employment decisions based on the workforce analysis and recruitment plan.

TSTC should review hiring actions for EEO compliance.



Management Comments:

Human Resources plans to address this observation and best practice by identifying and analyzing areas of our employment process so as to further the principles of equal employment opportunity.

TSTC will modify the on-line employment process to ensure demographic data regarding race, gender & ethnicity are protected by collaborating with our on-line applicant vendor consultant and our in-house Information Technology technicians to implement this process.

A Human Resources Manager will review hires to assure that there is no discrimination in the hiring process and the most qualified applicant is hired without regard to race, color, national origin, religion, gender, age, disability, or veteran status.

- ☐ Certified as in compliance.
- ☒ Certified as in compliance after implementing recommendations.
- ☐ Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements.

PERFORMANCE EVALUATION POLICY		Chapter/ Page	Yes/N o Or N/A
1. Has the agency developed and implemented a performance evaluation policy? (TLC § 21.452) (Required if in enabling legislation: Best Practice if not.)		HR.2.2.3	Yes
2. Does the policy require development of a performance evaluation or similar document containing rating of an individual's work performance? (Best Practice) *For institutions of higher learning, it is a best practice to provide an evaluation of performance to all employees, however, short-term student workers will not factor into this requirement.		HR.2.2.3 Page 2	Yes
3. Does the policy require that the performance evaluation or similar document rate the individual's compliance with policies, procedures and work rules of the agency/institute of higher learning? (Best Practice)			No*
4. Does the policy require that evaluations be based on objective, measurable and consistently applied criteria? (Best Practice)			No*
5. Does the policy require a review of performance evaluations for EEO compliance? (Best Practice)		HR.2.2.3	Yes
6. Does the review of samples of performance evaluations indicate that the agency has implemented the procedures? (TLC § 21.452)			No

## SECTION SUMMARY:

### Findings and Recommendations:

#### Finding:

TSTC's Performance Appraisal Policy states that each employee will have a written performance evaluation annually. Twenty-six (26) of the thirty (30) files or 85.7% are non-compliant. In accordance with its own policy, TSTC should bring all employee evaluations current.

#### Management Comments:

TSTC recognizes the importance of the Performance Appraisal process and has taken prompt action and has been working diligently to bring all employee evaluations current. A list of employees has been provided to each campus to be used to track employee evaluations being completed at each of our campus locations. TSTC Management is committed 100% to take action in order to get into compliance and numerous communication tools have been used to communicate to our employees the extension of our deadline.

*Extension granted and TSTC has obtained a 90% performance evaluation completion.*

*Recommendation implemented.*

**Observations and Best Practices:**

\*Unable to locate these best practices within TSTC's policies.

TSTC will benefit by reducing alleged discrimination by clearly outlining that all performance evaluations are reviewed for EEO compliance. For example, use an HR stamp, signature or checklist validating EEO compliance review.

**Management Comments:**

We respectfully request an extension in order to provide back-up documentation to support our efforts as such and because of the fact that our locations were closed during the Thanksgiving Holidays. This will allow us the time and effort it will take to verify that all employee evaluations are completed and allow us to meet our objective of bringing this project to completion.

All performance evaluations will be reviewed for EEO compliance by Human Resources and an EEO Compliance stamp will be used to validate the review.

- ☐ Certified as in compliance.
- ☒ Certified as in compliance after implementing recommendations.
- ☐ Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements.

DISCIPLINARY ACTIONS POLICY		Chapter/ Page	Yes/N o Or N/A
1.	Has the agency developed and implemented a disciplinary actions policy? (Best Practice)	HR.2.4.1	Yes
2.	Does the policy require that disciplinary actions be based only on job performance and job related conduct? (Best Practice)	HR.2.4.1 Pages 1,2	Yes
3.	Does the policy require documentation (i.e., performance evaluation, counseling, etc.) of the employee's performance and/or conduct that resulted in the disciplinary action? (Best Practice)	HR.2.4.1 Pages 3,4	Yes
4.	Does the policy prescribe progressive discipline and provide criteria for by-passing lesser disciplinary measures for severe misconduct? (Best Practice)	HR.2.4.1 Page 3	Yes
5.	Does the policy require a review of disciplinary actions for EEO compliance? (Best Practice)	HR.2.4.1 Page 5	Yes
6.	Does the review of samples of disciplinary actions indicate that the agency has implemented the procedures? (Best Practice)		No

## SECTION SUMMARY:

### Observations and Best Practices:

There was no indication of EEO compliance review of disciplinary actions per policy. TSTC should indicate verification of EEO compliance on the disciplinary action document.

### Management Comments:

No comment

- ☒ Certified as in compliance.
- ☐ Certified as in compliance after implementing recommendations.
- ☐ Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements.



WORKPLACE ACCOMMODATION POLICY		Chapter/ Page	Yes/No Or N/A
1. Has the agency/institute of higher education developed and implemented a work place accommodation policy? (TLC § 21.128)		HR.2.5.2 HR.2.5.1	Yes
2. Does the policy include provisions for the requesting employee with a disability (unless obvious) to provide reasonable documentation from an appropriate health care provider that describes a disability and the need for the accommodation? (Best Practice)		HR.2.5.2 Page 3	Yes
3. Does the policy include a definition of "Disability" that is consistent with Chapter 21, Texas Labor Code? (TLC § 21.002(6))		HR.2.5.2 Page 2	Yes
4. Does the policy include specific provisions describing the process for making reasonable workplace accommodations for qualified individuals with disabilities? (Best practice)		HR.2.5.2 Pages 4,5	Yes
5. Does the policy ensure that reasonable workplace accommodations are made not only for individuals with disabilities, but also persons with sincerely-held religious beliefs and women affected by pregnancy? (Best Practices; <i>See EEOC v. Abercrombie and Fitch, U.S. S.Ct., No. 14-86 (6/1/15)</i> (religion); <i>Young v. UPS, No. 12-1226 (3/25/15)</i> (pregnancy))		HR.2.5.2 Page 6 HR.2.5.1 Page 3	Yes
8. Does the review of samples of requests for accommodation indicate that the agency has implemented the procedures? (TLC § 21.452)			Yes

## SECTION SUMMARY:

- X   Certified as in compliance.
- Certified as in compliance after implementing recommendations.
- Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements.

EEO POLICY INCLUDING SEXUAL HARASSMENT		Chapter/ Page	Yes/No Or N/A
1. <b>EEO Policy:</b> Has the agency developed and implemented an equal employment opportunity policy? (TLC § 21.452; See also agency's/institute of higher learning enabling legislation)		HR.2.1.14 HR.2.5.1	Yes
a. Does the policy prohibit discrimination based on race, color, national origin, religion, sex, age, or disability? (TLC § 21.051)		HR.2.5.1 Page 2	Yes
b. Does the EEO policy require a training program that provides employees information regarding the agency's policies and procedures relating to employment discrimination, including sexual harassment, and require that employees receive initial training within 30 days after their date of hire and supplemental training every two years? (TLC § 21.010, 40 Tex. Admin. Code §819.24) *For institutions of higher learning, it is a best practice to provide employment discrimination training to all employees, however, short-term student workers will not factor into this requirement.		HR.2.5.1 Page 8	Yes
c. Does the EEO policy prohibit retaliation against a person who opposes a discriminatory practice, files a charge, or testifies assists or participates in an investigative proceeding or hearing? (TLC § 21.055)		HR.2.5.1 Page 6	Yes
2. <b>Sexual Harassment Policy:</b> Has the agency/institute of higher learning developed and implemented a sexual harassment policy? (TLC § 21.452; Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1989))		HR.2.4.15	Yes
a. Does the policy clearly explain the prohibited conduct constituting "sexual harassment"? (Best Practice)		HR.2.4.15 Page 3	Yes
b. Does the policy include a provision for distribution or communication of the policy to all employees? (Best Practice)		HR.2.4.15 Page 8	Yes
c. Has the agency/institute of higher learning developed and implemented complaint procedures? (Faragher v. City of Boca Raton, 118 S. Ct. 2275 (1989))		HR.2.4.15 Page 5	Yes
d. Do the complaint procedures allow employees to bypass harassing supervisors? (Best Practice)			No
e. Does the policy assure that employees who make complaints of harassment or provide information relating to such complaints will be protected from retaliation? (Best Practice)		HR.2.4.15 Page 6	Yes
f. Does the policy assure that the employer will protect the confidentiality of individuals bringing harassment complaints to the extent possible? (Best Practice)		HR.2.4.15 Page 6	Yes
g. Does the complaint process provide for a prompt, thorough and impartial investigation? (Best Practice)			No
h. Does the policy include procedures for instituting immediate and corrective actions if prohibited conduct occurs? (Best Practice)		HR.2.4.15 Page 7	Yes
i. Does the policy include procedures for continued monitoring of the circumstances surrounding the complaint to ensure the situation has been remedied? (Best Practice)		HR.2.4.15 Page 6	Yes

EEO POLICY INCLUDING SEXUAL HARASSMENT - Continued	Chapter/ Page	Yes/No Or N/A
3. Does the review of samples of personnel actions indicate that the agency/institute of higher learning has implemented the EEO/Sexual Harassment policies? (TLC § 21.452)		No

## SECTION SUMMARY:

### Findings and Recommendations:

#### Finding:

Sixteen (16) of the thirty (30) employee files or 53% of files reviewed showed non-compliance with EEO/Sexual Harassment training, with eight (8) indicating no training at all.

The EEO, including sexual harassment, training program needs to be monitored for accuracy. TSTC began using TWC's on-line training October 4, 2016, with a deadline for all employees to complete the training by October 28, 2016, despite whether or not they had previous training within the past two years. The training records provided included some employees completing the training, however, many indicated that training was completed in a time manner that would not be feasible to accurately complete the training. (Some employees show one minute, two minutes, and some even show the training completed in a manner of seconds.) Human Resources director indicates a "glitch" in the program and they are working to fix the problem.

#### Recommendations:

TSTC must facilitate and instruct TSTC employees how to utilize the CRD's EEO/Sexual Harassment online training appropriately. To obtain compliance TSTC must verify all employees are in compliance with EEO/Sexual Harassment training with a substantial compliance rate of 90% or greater.

Management Comments:

TSTC is committed to having all employees complete the EEO training program to include Sexual Harassment. Due to the fact that we had a glitch in the TWC on-line training program Kelly Contella, HR Manager III requested a quote on how much it would cost to purchase the TWC online program. We would like to request an extension to allow us time to get into compliance. If our budget will allow us to purchase the program, we will begin the process of having all employees complete the on-line training and request that the employee provide a printed certificate of completion for the employee's file.

The process for New Employee mandatory training has been improved. Our onboarding team members will be securing a computer lab to give new employees the opportunity to complete the EEO mandatory training during New Employee Orientation which will be held within the employee's first 30 days of employment. Certificates of completion will be printed for inclusion in the employee's personnel file. We hired twenty (20) new employees in November 2016 and all of them have completed the EEO mandatory training. We hired twelve (12) new employees in December 2016 and 10 have completed the EEO mandatory training.

*Recommendation implemented.*

Observations and Best Practices:

There are some employees listed on the training roster that are not listed on the master employee listing. It is recommended that TSTC review their employee records for accuracy in reporting.

Management Comments:

TSTC is committed to updating our master list to include all employees.

- ☐ Certified as in compliance.
- ☒ Certified as in compliance after implementing recommendations.
- ☐ Factors preventing certification of compliance as agency/institute of higher learning has not implemented recommendations on statutory/regulatory requirements.



COMPENSATION POLICY		Chapter/ Page	Yes/No Or N/A
1.	Does the agency/institution of higher learning have a written compensation policy? (Best Practice)	HR.2.2.10 HR.2.2.9	Y
2.	Does the review of samples of merit increases ("raises")/promotions/one-time merit payments ("bonuses") indicate that the agency has implemented the policy? (Best Practice)		No

### SECTION SUMMARY:

TSTC's compensation policy indicates all performance-based increases must be supported with performance evaluation documentation. The random sampling revealed eighteen (18) faculty and staff members were given salary increases without current evaluations contained in their file.

(There is no compliance certification for the compensation policy since both items are best practices.)



Signature of Policy Reviewer

2/28/17

Date

Approved:



Division Director

2/28/17

Date

## 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.*

*Views of Responsible Officials and Corrective Action Plan 2016:*

*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 by the end 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 2016-17 award year.*

*Implementation Date: August 2016*

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

## Texas State Technical College - Marshall

Reference No. 2014-122

### Eligibility

#### 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.*

Views of Responsible Officials and Corrective Action Plan 2016:

*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 by the end 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 2016-17 award year.*

*Implementation Date: August 2016*

*Responsible Person: Susan Wingate*



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

<b>Responsible Management</b>	<b>Issue Reported by Management</b>	<b>Report Date</b>	<b>Management's Corrective Action Plan</b>	<b>Internal Audit Assistance/Follow-up</b>
VC Hoekstra	Student Accounting at TSTC in Waco: In late February, an issue was raised with respect to the handling of tuition billing and collections for students enrolled in flight training through the articulation agreement between TSTC and Baylor University. After a high-level review, it was determined that TSTC had not billed Baylor University for charges its students had made under this partnership. Upon more in-depth analysis and inquiry (including a collaboration between Finance leadership, Human Resources, and Internal Audit), a determination was made that the unbilled receivables were significant, the person responsible was fully aware of the extent and the duration of the issue, and leadership was not made aware of this oversight despite it accruing over 18 months. Due to the severity of the issue and the lack of transparency regarding the institution's exposure, the responsible party was terminated immediately.	3/31/2017	The Financial Services division has shifted focus to further consolidate processes across the campuses. The Finance Chief of Staff is temporarily assigned to the department to participate with Student Accounting leadership in fully evaluating the processes within the department and further assessing issues therein. There are several opportunities to significantly improve collection processes both within student accounts receivable and sponsored billing (institutional) receivables. We are currently working through the outstanding receivables with Baylor University and are reasonably certain the balance will be collected. In addition, personnel are reviewing other accounts receivable balances for collectability.	We will follow-up to ensure the balances referenced in the report are collected, and we will verify outstanding accounts receivable beyond 90 days old are being handled appropriately (still collectible, doubtful, etc.)

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.