

Meeting of the Board of Regents

Audit Committee

August 15, 2019
Waco, Texas



TEXAS STATE TECHNICAL COLLEGE

**Audit Committee Meeting
of the Board of Regents**

**Texas State Technical College
Connally Meeting & Conference Center
1651 E. Crest Drive
Waco, TX 76705**

Thursday, August 15, 2019

10:30a.m.

AGENDA

- I. MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR IVAN ANDARZA**
- II. COMMITTEE CHAIR COMMENTS**
- III. MINUTE ORDERS**

Proposed MO#

[33-19 \(c\) Proposed Audit Plan for Fiscal Year 2020](#)..... A-3
Jason D. Mallory

IV. REPORTS:

- 1. [Status of Fiscal Year 2019 Audit Schedule & Other Projects](#) A-15
Jason D. Mallory
- 2. [Summary of Audit Reports](#)..... A-18
Jason D. Mallory
- 3. [Follow-up Schedule & Status](#)..... A-21
Jason D. Mallory
- 4. [Workplace Harassment Audit \(19-014A\)](#)..... A-31
Jason D. Mallory
- 5. [TAC 202 – Quarterly Update \(19-012A\)](#)..... A-41
Jason D. Mallory
- 6. [Fixed Asset Follow-up Audit - Update](#)..... A-44
Jason D. Mallory

7.	Safety & Security Follow-up Audit - Update	A-46
	Jason D. Mallory	
8.	Post-payment Audit	A-48
	Texas Comptroller of Public Accounts	
9.	Desk Review of CFDA 84.048, Award #14915, Perkins Career and Technical Education	A-64
	THECB	
10.	AY 2018 A-133 Evaluation Management Letter	A-67
	THECB	
11.	Attestation Disclosures	A-68
	Jason D. Mallory	

V. CHANCELLOR COMMENTS

VI. BOARD COMMENTS

VII. ADJOURN



Board Meeting Date: August 15, 2019 **Proposed Minute Order #:** 33-19

Proposed By: Jason D. Mallory, Director of Audits

Subject: Approve Proposed Audit Plan for Fiscal Year 2020

Background: The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents' approval for the annual audit plan and any revisions.

Justification: The guidelines of the Internal Auditing Act require that the internal auditor use risk assessment techniques to prepare an annual audit plan. The plan must identify the individual audits to be conducted during the year, and requires approval by the Board of Regents.

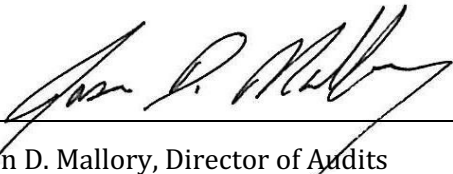
Additional Information: None

Fiscal Implications: Funds available as budgeted for Fiscal Year 2020

Attestation: This Minute Order is in compliance with all applicable laws and regulations to the best of my knowledge.

Attachment(s): Proposed Audit Plan Fiscal Year 2020

Recommended Minute Order: "The Texas State Technical College Board of Regents approves the audit plan for fiscal year 2020."

Recommended By: 

Jason D. Mallory, Director of Audits



Audit Plan

Fiscal Year 2020

Proposed August 15, 2019

Executive Summary

The purpose of the Audit Plan (Plan) is to outline audits and other activities the Internal Audit Department will conduct during fiscal year 2020. The Plan was developed through collaboration with the Board of Regents (Board), Executive Management, and other managers throughout the College, as well as the Internal Audit staff. Risk assessment techniques, described later in this report, identified individual audits to be conducted during the year by considering the College's major activities and processes, which included its accounting systems and processes, administrative processes, and information technology systems. The Plan, its development, and approval are intended to satisfy requirements under the Internal Audit Charter (SOS GA.1.4) and the Texas Internal Auditing Act (TGC Chapter 2102).

The Plan relied heavily upon risk assessments performed by departmental managers throughout the College on the major activities and processes under their responsibility. Those assessments identified the impact and likelihood specific risks rated by the Board and Executive Management would have on the major activities and processes. Seven high level risks were applied to 61 major activities and processes. Almost 60 people contributed to the Plan.

As result of those efforts, the Plan includes 15 full-scope internal audits, 2 audits which continue prior year testing on TAC 202 and PCI controls, and various grants audits by the respective funding agency. The College will also be undergoing an accreditation review by SACSCOC. The Plan anticipates investigations of all complaints reported through the internal and State Auditor's ethics hotlines, assistance given to external auditors as requested, and follow-up audits on outstanding findings from previous audits. Audit work will conclude with preparing another annual audit plan and the Annual Audit Report which will summarize all FY 2020 audit activity. Sufficient time has also been allocated for administrative responsibilities, training, and leave.

Risk information available at the time was considered in the preparation of this Plan. The Plan is subject to revision should the risk climate materially change, or unexpected events occur. If this happens, the Director of Audits will promptly notify the Board and Executive Management of requested revisions to the Plan.

Description of the Risk-Based Methodology used to develop the Plan

The planning process began with defining risks to be considered in the planning. The following 7 risks were used:

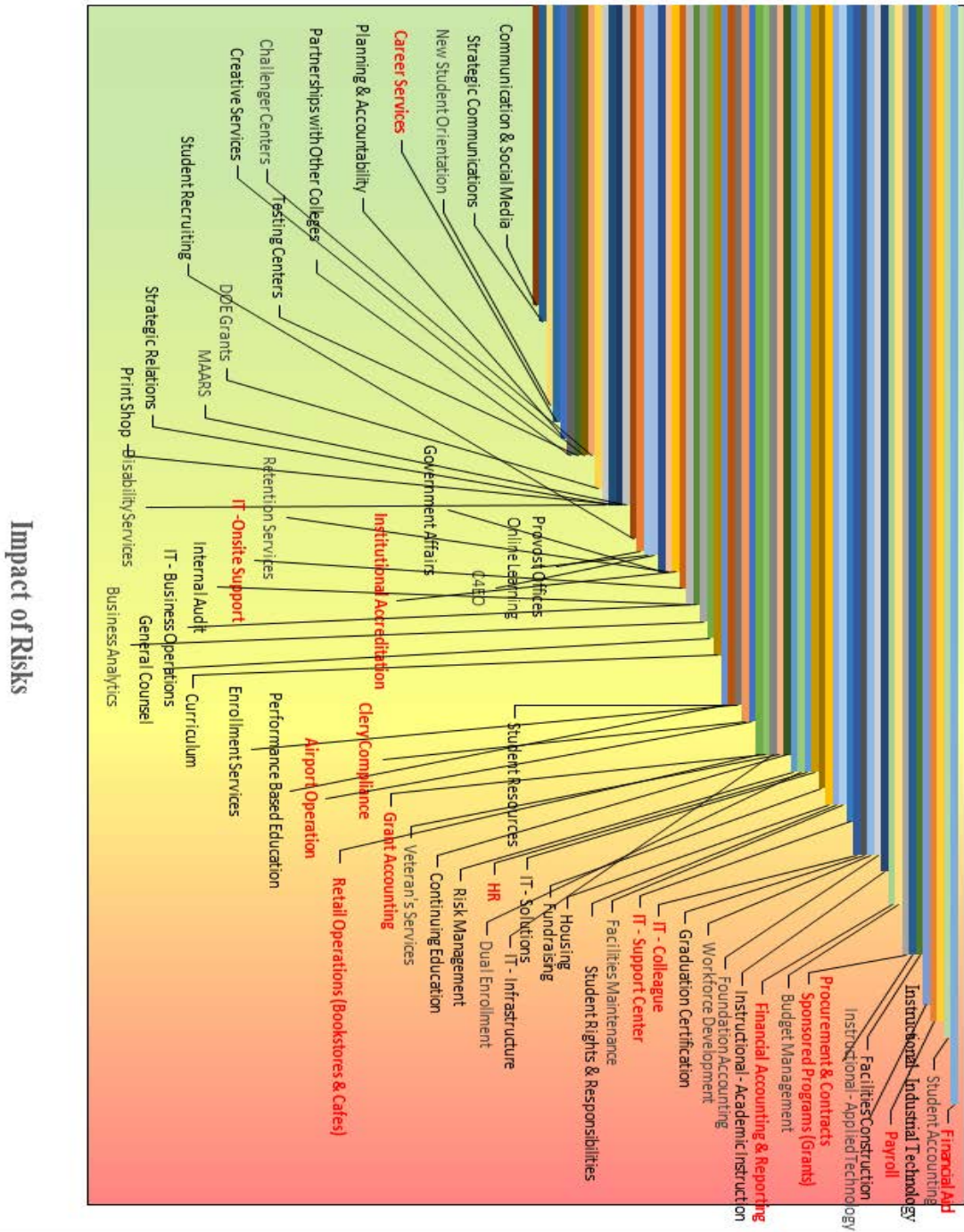
Strategic Risk
These are internal or external threats which would jeopardize the College's strategic goals and/or WIGs.
Financial Risk

These are internal or external threats which would cause unnecessary expenses and/or lost revenue.
Accounting & Reporting Risk
These are internal or external threats which would cause key accounting information, such as financial statements, management/Board reports, and/or regulatory reports to be materially misstated.
Fraud Risk
These are internal or external threats which would allow fraudulent, wasteful or abusive activity to occur without immediate detection resulting in significant monetary loss or loss of reputation or public confidence.
Regulatory/Compliance Risk
These are internal or external threats which would allow non-compliance to major regulations and laws, College policies, and high value contracts.
Safety Risk
These are internal or external threats which could result in people being injured or killed. The type of activity you engage in will generally determine the type of safety risks that are normally present.
Customer Service Risk
These are internal or external threats which could result in people not being served timely or effectively by your operation or activity.

Next, we requested managers throughout the College assess each of their major activities and processes under their responsibility. This assessment yielded information about each activity's **Inherent Risk** (the risk present in an activity before any controls are applied) and its **Residual Risk** (the risk remaining in an activity after reasonable controls have been applied). These assessments assisted us with identifying activities and processes that pose the greatest risk to the College. The assessments also allowed us to gain current insight into the perspective of each manager responsible for overseeing the activities. Assessments on 61 activities were prepared by 46 managers.

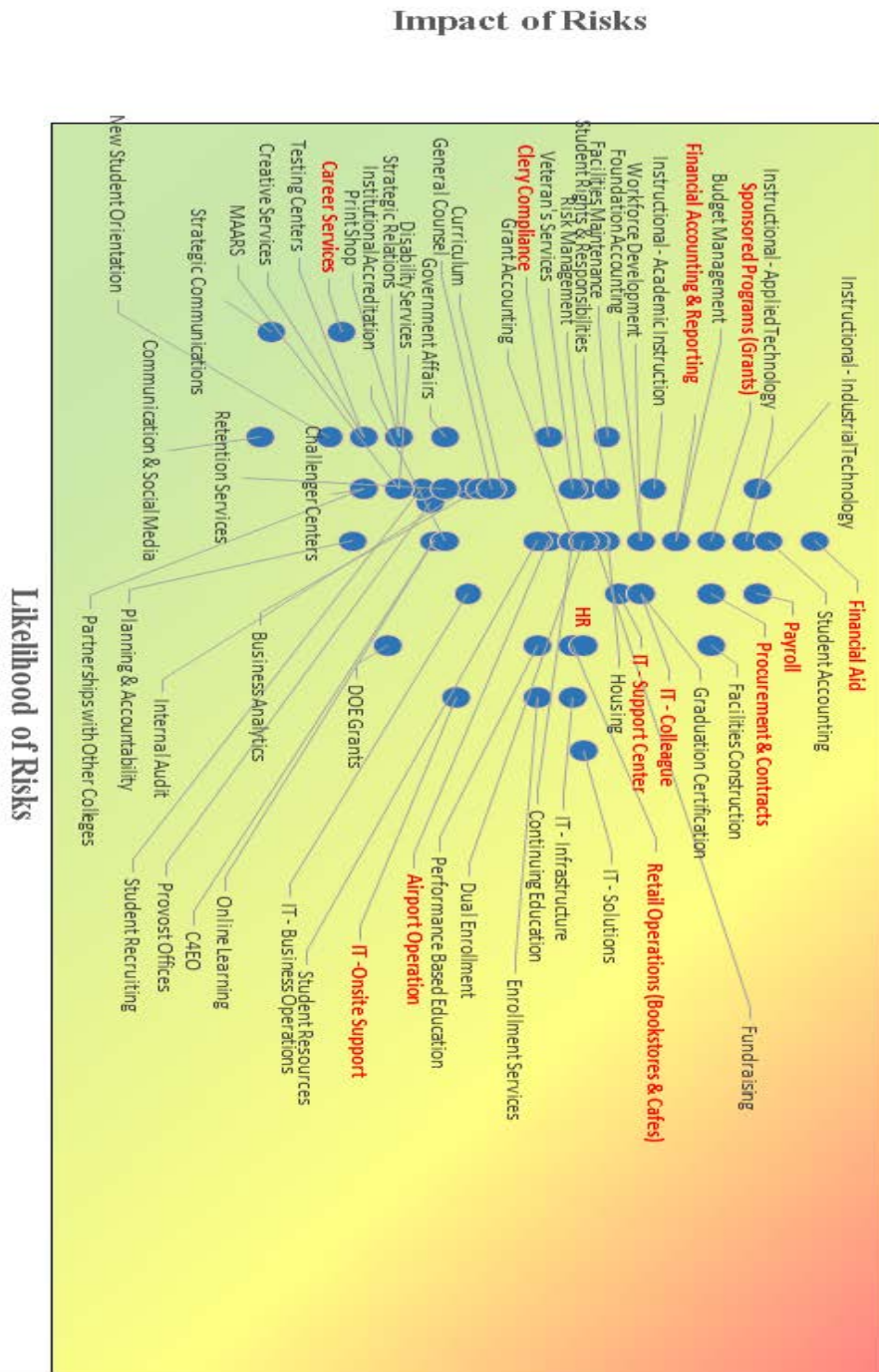
The following chart plots on a risk map each activity's **Inherent Risk** relative to other risks. The red bolded activities are represented in some form in the audits that will be performed in FY 2020.

Inherent Risk - Major Activities



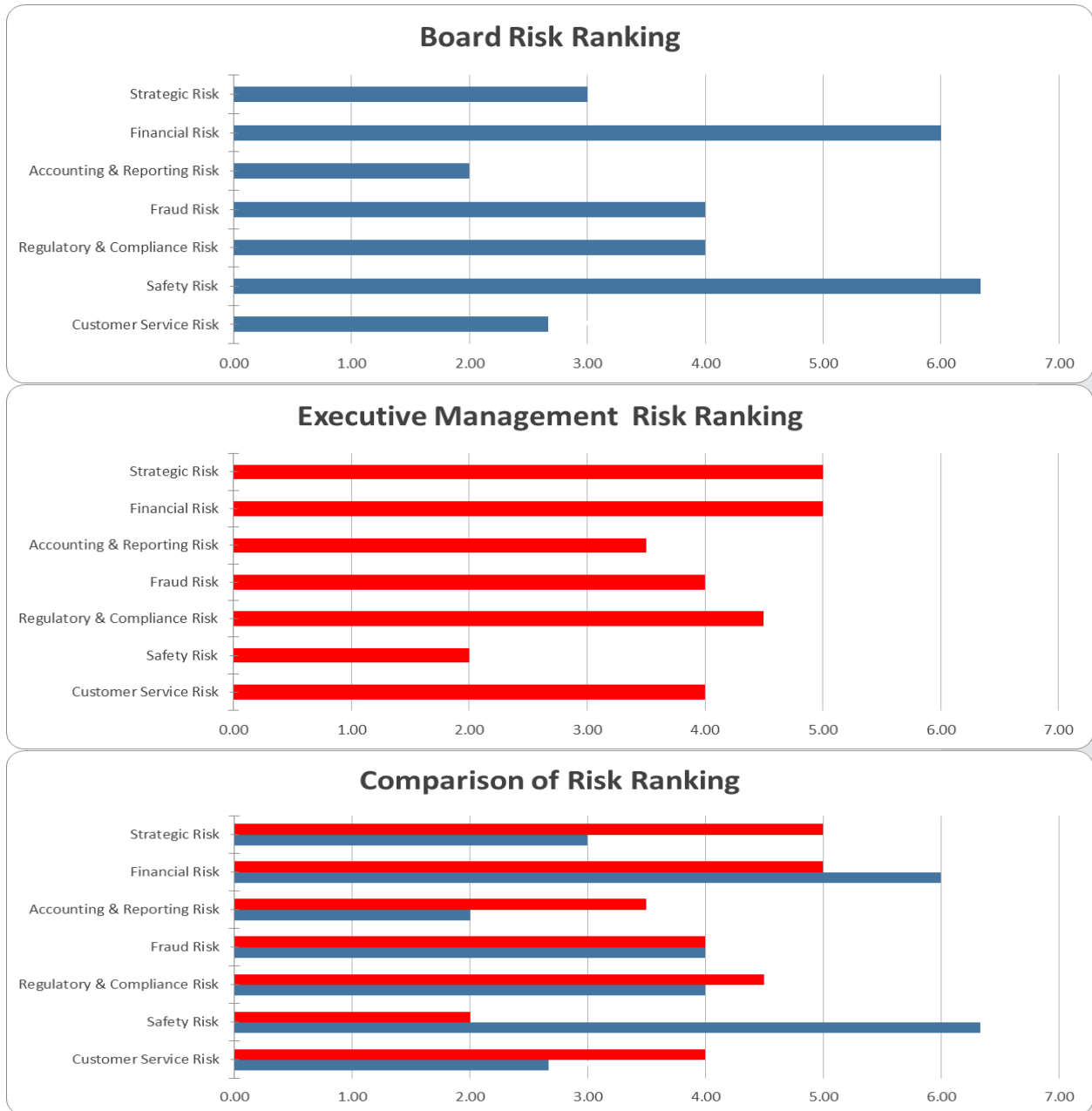
The following chart plots on a risk map each activity's **Residual Risk** relative to other risks. Again, the red bolded activities are represented in some form in the audits that will be performed in FY 2020.

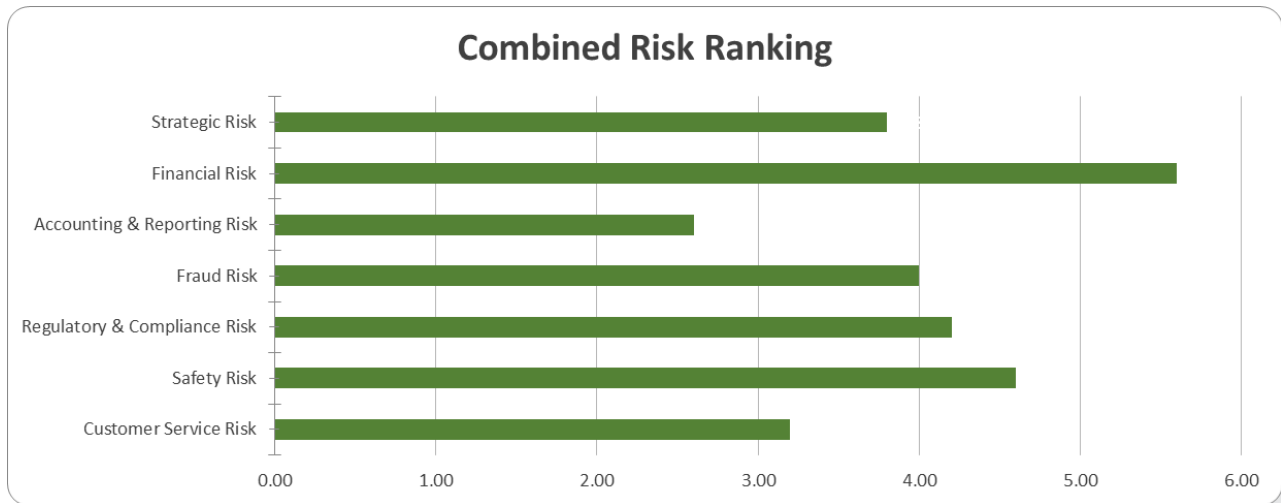
Residual Risk - Major Activities



Third, we requested input from each Regent and each executive on the Leadership Team. Specifically, we requested them to rank each of the 7 risks by priority, and to provide any

specific audits they would like performed in FY 2020. Their input helped us understand their priorities. The following graphs represent the results from those surveys.





The opinion of each staff member in Internal Audit was received. The Internal Audit staff added a unique College-wide perspective of risks because of the combined 50+ years of auditing the organization.

Next, we considered specific audit requests from all parties, as well as statutorily required audits. Those requests, with the exception of the required audits, are listed below. The frequency of a specific request is also listed. The indicates requests that are in some manner reflected in the Proposed Plan:

Food Service	Any revenue generating activity (2)	Bookstores
Significant contracts	Cybersecurity	FCC Licenses
Accounts Receivable	Airport Operations (2)	Customer service to industry partners
Travel	Social media controls	Physical Plant
Curriculum	Internet of Things	Cloud Computing
Organizational Culture	Help Desk	Wireless Networks
Field Techs	Internal Penetration Tests	

Finally, all potential audits were analyzed to identify any concentrations in divisions and with specific managers. The time of last audit and the handling of sensitive information was considered when the audits were selected.

Internal Audit Available Time

Total hours (5 Staff * 52 Weeks *40 hours)	10,400	100%
Less: Estimated vacation, holiday, sick, & training	1,420	14%
Total hours available for audits, other projects, &	8,980	86%

administration		
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Total hours available for audits, other projects, & administration	8,980	100%
Less: Administration (meetings, travel time, research, campus volunteering, w/p reviews, campus education, etc.)	2,155	24%
Total hours available for audits and risk based projects	6,865	76%

Proposed 2020 Audit Plan

Risk Categories	FR	ARR	RCR	SR	FRR	CSR	STR	How selected?
Proposed Audits								
1. TEC 51.9337 (Contracting) Audit								Required annually
2. TAC 202 (IT Security) Follow-up Audit								Required biennially
3. Public Funds Investment Act Audit								Required biennially
4. Airport Operations								Risk based
5. Waco Bookstore								Risk based
6. Harlingen Bookstore								Risk based
7. Bookstore Software Audit								Risk based
8. Clery Act Audit								Risk based
9. Accounting Controls Verification								Risk based
10. Help Desk Audit								Risk based
11. Field Support Audit								Risk based
12. Internal Network Penetration Test (Waco)								Risk based
13. Internal Network Penetration Test (Harlingen)								Risk based
14. Internal Network Penetration Test (Hutto)								Risk based
15. Career Services								Risk based

Audit								
16. Benefits Proportionality Audit								Risk based
17. PCI Follow-up Audit								Risk based
18. Grant audits by various funders								Selected by funding agencies

FR - Financial Risk, **ARR** - Accounting Risk, **RCR** - Regulatory/Compliance Risk, **SR** – Strategic Risk, **FRR** - Fraud Risk, **CSR** - Customer Service Risk, **STR** - Safety Risk

	Audit will test specific risks in this category.
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Descriptions of the projects:

1. TEC 51.9337 (Contracting) Audit: This audit will test compliance to TEC 51.9337 related to contracting. Some of the tests that will be performed include policy requirements, training, conflict of interest disclosures, tracking of contracts, approval authority, and the availability and compliance to a College contract handbook
2. TAC 202 (IT Security) Follow-up Audit: This will be a follow-up audit of required IT controls from previously performed audits. It will focus on the required IT control families listed in the regulation, with an emphasis on IT security.
3. Public Funds Investment Act Audit: This audit will test required policy, training and controls as they relate to the College's investment portfolio.
4. Airport Operations: This will be the first of a series of audits to be performed at the airport on the Waco campus. In this first audit, the business operations will be tested to ensure revenues are being optimized, select contracts are being managed soundly, and expenses are appropriate and allowable.
5. Bookstore Audit (Waco campus): This audit will test the business operations of the bookstore. Inventory levels of books and merchandise will be reviewed to verify they are maintained at levels to maximize profit. Accounting will also be included in the scope, as will cash controls, and controls which ensure assets are reasonably safeguarded.
6. Bookstore Audit (Harlingen campus): This audit will test the business operations of the bookstore. Inventory levels of books and merchandise will be reviewed to verify they are maintained at levels to maximize profit. Accounting will also be included in the scope, as will cash controls, and controls which ensure assets are reasonably safeguarded.
7. Bookstore Software Audit: This audit will test application level controls of the software used in the bookstores. These controls are required by TAC 202.

8. Jeanne Clery Disclosure of Campus Security Policy & Campus Crime Statistics Act Audit: This audit will test campus security policies, and the reporting of crimes on each campus. Compliance with the Act will be the primary objective of the audit since the ability to offer Title IV financial aid is tied to compliance.

9. Accounting Control Verification: This will be a series of annual audits in which key internal controls over accounting and reporting are validated. This will be similar to audits performed annually by publicly traded companies as part of their SOX compliance requirement.

10. Help Desk Audit: This audit will test the operating effectiveness and efficiency of the OIT Help Desk. Timeliness, staffing levels compared to work load, and call tracking will be included in the scope.

11. Field Support Audit: This audit will test the effectiveness and efficiency of the OIT field support. Timeliness, staffing levels compared to work load, and effectiveness of work will be included in the scope.

12. Internal Network Penetration Test (Waco campus): This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.

13. Internal Network Penetration Test (Harlingen campus): This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.

14. Internal Network Penetration Test (Hutto campus): This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.

15. Career Services Audit: This audit will test the effectiveness and efficiency of services offered to students and employers. Availability and effectiveness of assistance will be in the scope of this audit.

16. Benefits Proportionality Audit: Article III of the General Appropriations Act of the 86th Legislature requires an internal audit of benefits proportional by method of finance no later than August 31, 2020. The audit must examine fiscal years 2017, 2018, and 2019, and must be conducted using a methodology approved by the State Auditor's Office.

17. PCI Follow-up: This will be a follow-up audit of PCI controls tested in FY 2018.

18. Grant Audits: In late FY 2019, several grant audits were pending by various funding agencies. These audits will test compliance to the associated grant terms.



Texas State Technical College
Internal Audit
Status of Fiscal Year 2019 Audit Schedule & Other Projects

Description	Division/Campus	Status	Project No.	Report Date
INTERNAL AUDITS				
Facilities Development Project Compliance Audit	Facilities - West Texas	Complete	19-006A	11/28/18
Facilities Development Project Compliance Audit	Facilities - Marshall	Complete	19-007A	11/28/18
Google Drive Audit	OIT	Complete	19-004A	12/10/18
TRS Contributions Audit	HR	Complete	19-005A	12/20/18
Internal Penetration Test (North Texas)	OIT, North Texas Campus	Complete	19-011A	2/13/19
Maxient Software	OIT, Student Discipline	Complete	19-003A	2/25/19
Internal Penetration Test (Ft. Bend)	OIT, Ft. Bend Campus	Complete	19-015A	3/29/19
Graduation Process Audit	Student Services	Complete	19-008A	4/9/19
Workplace Harassment Audit	HR	Complete	19-014A	6/10/19
TAC §202 Compliance Audit	OIT	Complete	19-012A	10/5/18, 1/11/19, 4/12/19, 7/12/19
Fixed Assets Control Follow-up Audit	Cross-Divisional	Complete		7/12/19
Safety & Security Follow-up Audit	Cross-Divisional	Complete		7/12/19
Departmental Audit - Challenger Center	Harlingen	In Progress		
Departmental Audit - Challenger Center	Waco	In Progress		
Admissions Process Audit	Student Services	In Progress		
Admissions IT Audit	Student Services/OIT	In Progress		
C4EO Audit	C4EO	In Progress		
TEC §51.9337 Contracting Audit	Purchasing	In Progress		

EXTERNAL AUDITS

State Comptroller's Office: Desk Audit - Charge Card Program	Finance	Complete		8/27/18
State Auditor's Office: A-133 Follow-up	Financial Aid - Marshall	Complete		2/28/19
Single Audit for FY 2018: BKD	Accounting	Complete		2/12/19
State Comptroller's Office: Post Payment Audit	Purchasing	Complete		5/17/19
FY 2016 Perkins Desk Audit	OSP/Harlingen	Complete		6/7/19
TWC: Monitoring review of SDF Contract # 2418SDF002	OSP/Harlingen	In Progress		
TWC: Monitoring review of SDF Contract # 2418SDF003	OSP/Harlingen	In Progress		
FY 2016 Perkins Desk Audit	OSP/Waco	In Progress		
FY 2016 Perkins Desk Audit	OSP/West Texas	In Progress		
FY 2016 Perkins Desk Audit	OSP/Marshall	In Progress		
FY 2016 Perkins Desk Audit	OSP/System Operations	In Progress		
VA Audit	VA Office/Waco Campus	In Progress		
TWC Audit of Apprenticeship Training Program in Harlingen	OSP/Harlingen	In Progress		

Description	Division/Campus	Status	Project No.	Report Date
OTHER INTERNAL PROJECTS				
Internal Ethics Line Report: An anonymous report indicated vending machines were charging more than the posted amount when a charge card was used. Results: We determined that when a card is used, a temporary transaction for \$1 more than the posted price is temporarily posted to the card holder's account, but the correct amount is charged when the customer's account is actually charged. Found the complaint to have no merit.	Business Services/Waco	Complete	19-010P	10/5/18
Police Evidence Room Surprise Inspection	Police Department/Harlingen	Complete	19-013A	1/2/19
Executive Management Request: Review contractual relationship with vendor associated with Helicopter Pilot Program, and any other potential exposure related to VA compliance. Results: Did not find any inappropriate training provided by the contractor. Identified several process improvements within accounting, tracking flight hours, and purchasing controls.	Instructional/Waco	Complete	19-009I	2/8/19
SAO Ethics Line Report: An anonymous report indicated donations were being received and used by someone in the HVAC program that was not licensed to do so. Results: Allegation had no merit. HVAC programs receive small quantities of duct board. The product is not a restricted use item which requires special licensure. We did recommend that the donations be reported to the Foundation, though, as required by policy.	Instructional/Harlingen	Complete	19-016I	3/1/19
Police Evidence Room Surprise Inspection	Police Department/Waco	Complete	19-013A	4/11/19
SAO Ethics Line Report: A former student complained that he had not received his diploma for almost a year after graduating. Results: Determined the complaint had merit. There were not any holds or unpaid fees that were preventing him from receiving his diploma. His diploma was issued, all fees returned, and the causes for the failure are being addressed by management as a directive from the Chancellor.	Registrar's Office	Complete	19-023I	5/18/19
THECB Ethics Hotline: Received an allegation from THECB that an ISD employee who provides dual credit instruction for the College is not qualified to do so. Results: Allegation had no merit.	Dual Enrollment/Ft. Bend	Complete	19-029I	7/12/19
Internal Ethics Report: An employee raised a concern about a co-worker selling equipment to the College as a vendor. Results: Pending management response.	Instructional/Waco	In Progress	19-027I	

Description	Division/Campus	Status	Project No.	Report Date
Executive Management Request: Review complaint about unfair practices related to the Skills USA competition. Results: In Progress	Other	In Progress	19-022P	
Executive Management Request: Review process for instructional departments receiving equipment from 3rd parties for students to work on. Results: In Progress		In Progress	19-026P	
Internal Ethics Hotline Report: Employee reported that an instructor is using College equipment and resources for personal gain. Results: In Progress		In Progress		



**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
Workplace Harassment Audit (19-014A)		Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendations offered by the EEOC in their 2016 report.	Several harassment related policies with different procedures. Training that is offered does not focus on all types of harassment, is not required face-to-face, and is not offered in all languages spoke by employees. Harassment is typically thought of as sexual harassment vs the other forms it can take. Ethical Advocate is not specifically marketed as a way to report workplace harassment. And finally, documentation of investigations need to be standardized.	1.1 A single, comprehensive policy will be created that includes all 10 of the EEOC's recommended elements.	Pamela Mayfield	9/30/19
				1.2 Frequent reminders to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team.	Pamela Mayfield	9/30/19
				1.3 A single comprehensive policy will be created, with various forms of training being conducted.	Pamela Mayfield	10/31/19
				1.4 Ethical Advocate will be marketed as an appropriate reporting method for harassment.	Pamela Mayfield	10/31/19

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
TAC 202 Compliance – Quarterly Update (19-012A)		Four more controls were identified as being implemented, 10 more pending verification by Internal Audit.				
Statewide Fixed Asset Control Follow-up Audit		Determined that annual inventory processes, changes to fixed asset system, disposal coding, and assets assigned to terminated employees have significantly improved. Determined that the asset transfer process needs to be retested. Management is also considering disposing of idle and fully depreciated assets, and implementing a scanning system.				
Safety & Security Follow-up Audit		Determined that process standardization and accountability for safety issues has significantly improved.				
Post-payment Audit conducted by the Texas Comptroller of Public Accounts	1.	Two employees received incorrect overtime payments. Also, one employee was missing a dual employment notification form and was not receiving overtime pay or credit for the time worked in excess of 40 hours per week worked at another college.	Found three transactions of 186 tested where hazardous duty pay was not included in the overtime calculation.	Ensure all stipends and entitlements are included in OT calculation.	Pamela Mayfield, Angela Sill	8/31/19
			A full-time employee also worked part-time for UTRGV. All time worked at UTRGV was subject to overtime pay totaling \$5,841.36.	Review a monthly report of dually employed employees, and require all such employees complete a written notification so that the other agency can be contacted and coordination made.	Pamela Mayfield, Angela Sill	8/31/19

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
	2.	One employee retained access in USAS to expend funds after authority expired.	Signature card authority was revoked on September 17, 2017, but a system access revocation request was not sent until February 28, 2018 for one employee. The CPA revoked access, however, on September 25, 2017. This 6 day difference left a potential gap for unauthorized access.	Workflows will be updated to ensure signature card and USAS access is revoked simultaneously.	Chad Wooten	Immediately
	3.	One employee was found to have overlapping security access to USAS.	One employee was found to be capable of adjusting payment instructions in TINS, and have the ability to approve paper vouchers.	Removed TINS Access in April 2018, and enhanced processes.	Chad Wooten	Immediately
	4.	Two duplicate payments were processed.	The amounts of the duplicate payments were \$1,159.07 & \$293.80.	Received reimbursement from one vendor, the other was out of business. Enhance currently implemented controls, and re-train staff.	Chad Wooten	Immediately
Desk Review of CFDA 84.048, Award #14915, Perkins Career and Technical Education by THECB		Salary totaling \$1,442 for an employee paid with grant funds in 2016 was not supported by documentation that reflected the actual work performed.		Return the \$1,442 to the THECB. Also, implemented a standardized time and effort sheet that requires supervisor approval.	Carliss Hyde	Immediately
AY 2018 A-133 Evaluation Management Letter by THECB		No findings identified.				



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

Completion Summary			
	3/31/19	6/30/19	Cleared from (Added to) Schedule
Audits from FY 2017 & Earlier	3	3	0
Audits from FY 2018	6	5	1
Audits from 2019	7	7	1
Total	16	15	2
Findings from FY 2017 & Earlier	3	3	0
Findings from FY 2018	6	5	1
Findings Audits from 2019	7	7	1
Total	16	15	2

Highlights:

Deficiencies in penetration tests (16-016A, 18-026A, and 18-046A) are projected to clear 8/23/19 once Active Directory is implemented.
Safety Audit (18-012A) was cleared from schedule due to the significant progress in standardization, training, monitoring, and reporting.
TRS Benefits Audit ((19-005A) was cleared.
Inventory Issues noted in 17-013A only have 1 outstanding issue remaining related to how assets are transferred between custodians.
TAC 202 (17-002A) saw 4 controls clear with 10 controls pending Internal Audit review.
PCI Audit (18-009A) has 8 controls pending Internal Audit review.
All of the Internal Network Penetration tests are pending Internal Audit review.
Helicopter Investigation (19-009I) is pending Internal Audit review.

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.	Substantially Complete: As of 7/7/17, 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. Dell One is currently being implemented. New anticipated date of completion is 8/23/19	Rick Collatos: The current Dell One Identity/AD project to address the findings for CAP 1.2 and CAP 2.1 in the previous audit findings will be a phased in approach for the Lab computers. The phased approach will begin June 2019 and complete August 23, 2019.	5/31/19 8/23/19
Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17-022A), Hoekstra	1.	We identified numerous exceptions related to inventory control in the Welding Department.	1.1 Summary : Create a cross-divisional team and review existing policies and procedures related to the inventory process.	Substantially Complete: Determined in follow-up testing performed in November 2018 and June 2019 that all but one deficiency was corrected. The remaining deficiency related to asset transfers will be retested in FY 2020.		8/31/20

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
TAC §202 Compliance Audit (17-002A), Herrera	1.	Several required controls were not yet implemented.	As noted in the report, a majority of the required controls have been implemented with the remaining controls being evaluated and addressed. For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC.	Ongoing: At 7/12/19, 103 controls were implemented, with 32 still requiring attention. 10 of those 32 controls are pending testing by Internal Audit.		TBD
Application Process Investigation (18-038I), Herrera	1.	Summary: Admissions procedures need to be improved to ensure all applicants receive timely communication, and to ensure all internal and external reporting is accurate.	1.1 The work performed by the Internal Audit Department further justifies our movement towards a centralized processing center where stricter internal controls and monitoring can take place. The recommendations for improvement are areas in which we are working to address.	Pending Review: At 7/12/19, Internal Audit was finishing a full scope audit of the Admissions Process & Target X software and the related server.		Pending Completion of Audit 19-017A

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
PCI Compliance Audit (18-009A), Herrera, Kilgore	1.	Numerous IT related controls and/or their control elements, as prescribed by PCI DSS, have not been implemented. As such, PCI DSS compliance is not being fully met.	1.1 In an effort to ensure the protection of payment card data for students and employees, The Office of Information Technology has been working with Food Services to resolve a number of important control deficiencies during the audit and will continue to review and implement recommendations moving forward. As we anticipate that the review and implementation review of 100 controls across 6 objectives will take over a year, we will prioritize controls that have the largest impact on the protection of cardholder data. As part of this process, we will also implement the recommendation of an annual assessment of PCI-DSS controls to ensure ongoing adherence to PCI-DSS compliance changes.	Ongoing: As of 1/9/19, PCI controls were being mapped to TAC 202 controls so implementation efforts will be optimized. At 7/12/19, 8 controls were pending Internal Audit's review.		8/31/19
Marshall: Internal Network Penetration Test (18-026A), Herrera, Kilgore	1.	Physical and logical security could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit.	1.2 The Office of Information Technology is currently in the process of implementing a centralized computer management solution, Microsoft Active Directory, which will enable us to implement technical controls to enforce security on workstations.	Ongoing	Rick Collatos: The current Dell One Identity/AD project to address the findings for CAP 1.2 and CAP 2.1 in the previous audit findings will be a phased in approach for the Lab computers. The phased approach will begin June 2019 and complete August 23, 2019.	12/31/19 8/23/19

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
West Texas: Internal Network Penetration Test (18-046A), Herrera	1.	Security of information and assets could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit.	1.2 The Office of Information Technology is currently in the process of implementing a centralized computer management solution, Microsoft Active Directory, which will enable us to implement technical controls to enforce security on workstations. We anticipate this project will be complete in the 2019 calendar year.	Ongoing	Rick Collatos: The current Dell One Identity/AD project to address the findings for CAP 1.2 and CAP 2.1 in the previous audit findings will be a phased in approach for the Lab computers. The phased approach will begin June 2019 and complete August 23, 2019.	12/31/19 8/23/19
Annual Compliance Audit of TEC §51.9337 (18-047A), Hoekstra & Rushing	2.	We identified exceptions related to employee training on contracting procedures, conflict of interest procedures, the contract management handbook missing some current procedures, and some other documentation exceptions.	2.1 Contract Management Training - Training for procurement staff and departments, as well as those with delegated authority to execute contracts will be conducted in November/December, following approval of statewide policy.	Partially Complete: Procurement staff were trained on 12/11/18 and 2/11/19. An email regarding the training via Moodle was sent to TSTC Designated Signatories on 4/11/19 instructing them to complete the training by 5/31/19. This will be verified in the next full audit scheduled to begin in August 2019.		4/31/19 5/31/19, Pending Review
Audit of Google Drive (19-004A), Herrera	1.	While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls.	1.1 For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks. IT believes they can have these implemented by June 2019.	Ongoing		6/30/19 Pending Review

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 - North Texas (19-011A), Herrera, Kilgore	1.	Security of information and assets could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit.	1.1 All employees will be informed of the project results and reminded of their responsibilities to protect sensitive information and IT assets. Communication on the results and responsibilities will be delivered verbally (with discussion) at the scheduled Provost meeting for February and at each departmental meeting during February or March. Email communication on the results and responsibilities will also be sent in March to all employees as a follow up to the face to face meetings.	Pending Review		3/31/19
			1.2 IT has fixed the issue in Learning Resource Center room 118. A new wall plate has been installed to keep the cables in the wall.	Pending Review		Immediately
Audit of Maxient Application (19-003A), Herrera	1.	While the majority of the minimally required TAC 202 controls are in place for the Maxient, we found 19 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Maxient, we feel priority should first be given to access and security controls.	1.1 As noted in the report, a majority of the required controls have been implemented with the remaining controls being evaluated and addressed. For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks.	Pending Review		7/31/19

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 - Ft. Bend (19-015A), Herrera, Kilgore	1.	Security of information and assets could be improved by informing campus employees and the Office of Information Technology of the results of this project, and re-educating them on the risks we were able to exploit.	1.1 As expected, there were a few successful penetrations, while the majority of the attempts were thwarted. However, even one success can have disastrous consequences. I have received an out brief on the details of this exercise, and will use it as a learning experience for our employees, most of which are relatively new to TSTC. We have several opportunities to discuss these results, individually as well as in large and small group size. I will take advantage of these forums to discuss the mistakes individually with those who were "tricked" as well as the faculty and staff of the entire campus.	Pending Review		Immediately
			1.2 Regarding the phone calls posing as helpdesk personnel, we do have Moodle training that was a requirement for employees to take for the academic year 2018/2019 titled "Information Security Awareness". There was a specific true/false question covering this very thing, and stated that "TSTC employees will never ask for your credentials over the phone or over email." TSTC / OIT will resend that required training back out to our users as a refresher.	Pending Review		Immediately

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
			1.3 Cameras user account: vulnerability A TDX helpdesk ticket was created to resolve the camera user account issues. Reference: Ticket ID 8750411. It was marked as resolved Tue 3/19/19 8:14 AM.	Pending Review		Immediately
			1.4 Printer user account vulnerability: A TDX helpdesk ticket was created to resolve these printer user account issues. Reference: Ticket ID 811618.	Pending Review		Immediately
			1.5 Open Port - Ports have been disabled.	Pending Review		Immediately
Graduation Process Audit (19-008A), Herrera	1.	Internal controls need to be improved to ensure certification requirements are always met, and well documented.	1.1 Management has implemented controls that include a centralized processing center to oversee the graduation process for all campuses. The standardization of these procedures should minimize any gaps in documentation standards. This new process will also ensure consistency in communication and information that is provided to respective graduates.	Ongoing		12/31/19

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 Management has implemented changes to the Graduation Policy removing the requirement to apply. This should minimize any issues with students not being reported to Texas Higher Education Coordinating Board. Centralization of certification and quality assurance checks should also minimize issues with reporting and reconciliation issues.	Ongoing		8/31/19

Helicopter Training Program Investigation (19-0091), Kilgore, Hoekstra, Herrera	1.	Summary: We did not identify any training of flight students performed by a contractor. Additionally, the student composition of HPTP when combined with the fixed wing enrollment figures complies with the VA's 85/15 rule. While we made several observations indicating the program was ineffectively managed in the past, current management appears to be taking steps to improve the operation of the program to make it more efficient and less costly. We did, however, identify accounting processes and controls that need to be improved to ensure the correct flight fees are charged to students, and any unused Chapter 33 funds are returned timely to the VA.	Various tasks - See investigative report. Summary: all observations for improvement will be addressed.	Pending Review		Immediately
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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
Workplace Harassment Audit (19- 014A), Hoekstra, Mayfield	1.	Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendations offered by the EEOC in their 2016 report.	1.1 A single, comprehensive policy will be created that includes all 10 of the EEOC's recommended elements.	Ongoing		9/30/19
			1.2 Frequent reminders to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team.	Ongoing		9/30/19
			1.3 A single comprehensive policy will be created, with various forms of training being conducted.	Ongoing		10/31/19
			1.4 Ethical Advocate will be marketed as an appropriate reporting method for harassment.	Ongoing		10/31/19

Internal Audit Department

Audit Report

Audit of Workplace Harassment (19-014A) **TEXAS STATE TECHNICAL COLLEGE**

June 10, 2019

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 performance audit of the College's workplace harassment policies and procedures. The purpose of this audit was to benchmark the College's current policies and procedures for preventing and resolving workplace harassment to best practices recommended by the Equal Employment Opportunity Commission (EEOC) in a comprehensive report issued in June 2016. This report was the result of a study in which causes, costs, and opportunities for improving workplace environments and cultures as it relates to harassment were thoroughly analyzed.

Our test work included comparing current policies to recommended language in the aforementioned EEOC report. We reviewed training, including its frequency, comprehensiveness, and delivery method(s). We conducted interviews of both executive and senior level managers to gauge their impressions of the organizational culture, their understanding of their responsibilities, and any concerns they have with the current processes. We reviewed the methods for reporting harassment. Finally, we reviewed a sample of recent investigations to verify they were comprehensive, timely, well-documented, and conducted in an impartial manner by a qualified individual. Any corrective action taken in those investigations was also reviewed to verify it was proportional to the offense.

We determined the following:

Policies:

There are three Board approved policies addressing workplace harassment. Those policies are available to employees through the College's website and internal Portal. They define harassment, describe how to report it, establish expectations of the employees, describe investigation procedures, and disclose penalties. Those policies address sexual misconduct and gender based discrimination, racial harassment, and civil rights protections and compliance. Those policies were under review/revision during this audit.

Training:

Annually, every current employee is required to take the following trainings:

- Title IX & Violence Against Women Act
- Diversity, EEO, and Discrimination Prevention
- Workplace Ethics

All new hires take these trainings during their new employee orientation.

All training sessions are delivered online through the College's Learning Management System. The Human Resources Department identifies all employees who have not completed the trainings and contacts them to ensure all employees are aware of their responsibilities.

Organizational Culture:

All people we interviewed demonstrated their understanding of the College's expectations in regards to preventing, identifying, and eliminating incidences of workplace harassment. The Chancellor has frequently and openly communicated his and the Board of Regent's expectations on the topic, with those expectations obviously being understood by different levels within the College. Interviewees were also familiar with how to report incidences.

Furthermore, the College participates in an annual survey of employee engagement. The survey focuses on 12 construct areas which include workplace, community, internal communication, pay, benefits, and employee engagement among others. The survey contained questions related to harassment in the workplace and workplace ethics. Management closely monitors the result of the survey and uses them to identify trends and areas of focus.

Reporting Methods:

Various reporting channels are open to employees to report harassment, both formal and informal. Those channels include talking to a supervisor or the Human Resources Department. Reports can be made face-to-face, via telephone, and/or via email. In addition, the College has an anonymous hotline administered by a third party, Ethical Advocate. The Ethical Advocate hotline allows employees to report claims anonymously, and in multiple languages, and accessible through the TSTC website and internal portal. As evidenced in the interviews discussed above, there is a general understanding of how to report incidences and to whom. Most employees indicated that they expect the matter will be resolved once reported.

Investigations:

Investigations of harassment are handled by the Human Resource Department. All investigators have received training in Title IX through the Association of Title IX Administrators and General Investigation training from the EEOC. We found the investigations to be comprehensive, handled in a confidential and professional manner, and well documented. We also determined that Legal Counsel and the respective Vice Chancellor, depending on the nature of the situation, are involved. For the cases we reviewed, the conclusions were supported by appropriate documentation, and corrective actions were proportional to the offenses. We verified employees are terminated when investigations indicate egregious and/or patterns of harassment.

Overall, we feel the College has developed and implemented policies and procedures for educating employees on its expectation on workplace harassment. There is a culture of zero tolerance, with the top echelons of management modeling and communicating that expectation. Employees have remedies readily available when harassment occurs, and evidence clearly indicates comprehensive investigations are performed timely. All corrective actions we tested appeared appropriate.

Nevertheless, we identified opportunities for improvement in each of the categories listed above, as detailed in the Findings detail section of this report. Our recommendations coincide with those made by the EEOC. While the EEOC recommendations have not yet been codified, we feel implementing them consideration will proactively improve our current processes, and further demonstrate the College's commitment to making TSTC a great place to work.

Introduction

The EEOC received approximately 30,000 harassment complaints in 2015, which included harassment on the basis of sex, sexual orientation, gender identity, pregnancy, race, disability, age, ethnicity/national origin, color, and religion. In that same year, the EEOC established a special task force to study harassment in the workplace. They issued a report of their findings and recommendations in June 2016. They found harassment in the workplace remains a persistent problem for employers. The task force did not limit themselves to the legal definition of harassment. Instead, they looked at offensive or unwelcome conduct that, if left unchecked, could rise to the level of legally actionable harassment. Examples include offensive jokes, slurs, epithets or name calling, undue attention, physical assaults or threats, unwelcome touching or contact, intimidation, ridicule or mockery, insults or put downs, constant or unwelcome questions about an individual's identity, and offensive objects or pictures.

They found compelling reasons for organizations to address harassment. In addition to the direct financial costs associated with harassment claims, there are other, less obvious costs. Time, energy, and resources are diverted from regular business operations to legal representation, settlements, litigation, court awards, and damages. There is decreased workplace performance and productivity, increased employee turnover, and irreparable reputational harm. Employees who experience harassment are more likely to show symptoms of depression, general stress and anxiety, post-traumatic stress disorder, and overall impaired psychological well-being. In addition, the mere awareness of harassment in a work group can create a tense environment, negatively affecting day-to-day operations. Unfortunately, they determined that approximately 30 percent of employees who experience harassment in the workplace ever reveal it to a supervisor or coworker. And, fewer than 10 percent ever formally file a complaint.

The five areas identified by the EEOC where organizations can implement controls to help prevent and address workplace harassment were the focus of this audit. Those areas include policies, training, organizational culture, reporting systems, and investigations.

Preventing, reporting, and resolving workplace harassment is a College-wide responsibility. The Human Resources Department is responsible for maintaining relevant policies, and for serving as the lead investigator on all complaints. Depending on the

severity of the complaint, resolution may require input and action from Legal Counsel, as well as members of the Executive Team.

Objectives

The purpose of this audit was to benchmark current policies and procedures for preventing and resolving workplace harassment to best practices recommended in a comprehensive report issued by the Equal Employment Opportunity Commission (EEOC) in June 2016 to recommend realistic enhancements to the College's current system of controls. This audit did not test specific compliance requirements to EEOC rules and regulations.

To accomplish our objectives, we reviewed current policies and procedures to determine whether they clearly communicate expectations, and address all forms of workplace harassment. We reviewed related training, including its frequency, comprehensiveness, and delivery method(s). We conducted interviews of both executive and senior level managers to gauge their impressions of the organizational culture, their understanding of their responsibilities, and any concerns they may have with the current processes. We reviewed the methods for reporting incidences. And finally, we reviewed a sample of recent investigations to verify they were comprehensive, timely, well-documented, and conducted in an impartial manner by a qualified individual. Related corrective action taken in those investigations was scrutinized to ascertain whether it was proportional to the offenses.

Scope & Methodology

The scope of our audit included all current workplace harassment policies and procedures. All types of harassment was included in the scope. We used the EEOC's Select Task Force Report on the Study of Harassment in the Workplace issued in June 2016 as the basis for all of our testing and subsequent recommendations. Only employee related matters were within the scope of this audit. Student issues were not in scope.

General Observations

The College has been proactive in its efforts to prevent, report, and resolve workplace harassment as demonstrated by numerous written policies approved by the Board of Regents being readily available to all employees. All employees are required to take annual harassment related training.

All employees can participate in an annual Survey of Employee Engagement. Management frequently reviews these results, and makes intentional efforts to improve areas with low scores. Workplace harassment is a subject in this survey, with results being positive.

There are multiple ways that harassment can be reported, and unbiased investigations are performed timely. The Human Resources Department has trained and qualified investigators who carefully include all relevant parties in each investigation and corrective

action. They also maintain confidential records of each complaint, and those records are restricted. The AVP/HR has multiple years of experience in the field, is enhancing HR processes, with workplace harassment being on her agenda. She expressed particular interest in this project, with cooperation and access to necessary documentation being exceptional.

Summary of Finding

Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendation offered by the EEOC in their 2016 report.

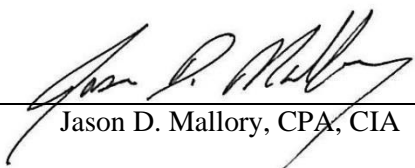
Opinion

Based on the audit work performed, the College has policies and procedures in place to prevent, report, and resolve workplace harassment. There is a zero tolerance directive that has been communicated by the Chancellor, and understood by management. Instances that were identified were swiftly dealt with.

Given the comprehensive nature of the study conducted by the EEOC, there are opportunities for the College to improve its policies and procedures. We recommend the observations noted in the Finding detail section be considered for implementation. This will further demonstrate the commitment to making TSTC an employer of choice, and reduce unnecessary costs related to workplace harassment.

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

Submitted by:



Jason D. Mallory, CPA, CIA

June 10, 2019

Date

AUDIT FINDING DETAIL

Finding #1: Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendation offered by the EEOC in their 2016 report.

Criterion: We reviewed the College's current practices regarding harassment in the workplace. Specifically, we reviewed related College policies, current employee trainings, the organizational culture, harassment reporting process, and harassment investigation processes. We compared what the College currently has in place to the recommendations made by the EEOC to determine the areas in which we can improve upon. We found opportunities to improve in each category.

Policies:

The College currently has several different policies related to harassment, each policy describes slightly different reporting and investigation processes. While these policies do not conflict, they can be confusing and counter-productive to creating the results they are aimed at. To clarify these policies, and better ensure all employees are aware of the College's expectation, we recommend the following:

- We recommend that the College combine the existing policies into one comprehensive policy that includes all 10 of the EEOC's recommend elements.
- We recommend the consolidated policy
 - detail all methods for reporting harassment,
 - clearly define the workplace,
 - include a statement on fraternization between both employee/students and employees/employees, and
 - be available in all languages commonly used by employees.
- We recommend frequent reminders be communicated to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team.

Management Response

Management of the Human Resource department agrees with the observations made in the audit regarding **Policies**. This auditing finding identified a lack of transparency in the policies. By October 2019, the following will be implemented to address the issues:

- A single, comprehensive policy will be created that includes all 10 of the EEOC's recommended elements. It will include all methods for reporting harassment, a definition of what constitutes the workplace, and a statement on fraternization between both employee/students and employees/employees. It will also be available in all languages commonly used by employees.
- Frequent reminders to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team.

The progress of these corrective actions will be measured by draft of the policy being submitted for approval by the end of September 2019. And written notice of expectations being submitted to employees at the start of FY 2020 by the Finance Executive Team.

Ms. Pamela Mayfield, Associate Vice Chancellor of Human Resources will be responsible for implementation of this corrective action plan.

Training:

We determined that the College requires all employees to complete two online trainings annually. However, the first training is specifically related to Title IX and the Violence Against Women Act. The second training, Diversity, EEO, and Discrimination Prevention, focuses on discrimination in employment decisions rather than harassment. To enhance training, we recommend the following:

- We recommend comprehensive anti-harassment training be developed that covers all protected classes, and includes all 5 elements recommend by the EEOC. This training also needs to address bystander intervention elements.
- We recommend the training be repeated throughout the year.
- We recommend it be available in all languages commonly used by employees.
- We recommend face-to-face training be utilized periodically for all employees.
- Specific compulsory training be developed for managers and supervisors to ensure they understand their added responsibilities, and training be tailored to the specific risk elements present in the individual departments.

Management Response

Management of the Human Resource (HR) department agrees with the observations made in the audit regarding **Training**. This auditing finding identified a lack of transparency in the training practices. By October 2019, the following will be implemented to address the training issues:

- A single comprehensive anti-harassment training will be developed which covers all protected classes, and includes all 5 elements recommend by the EEOC. It will also address bystander intervention elements.
- The training will be made available in a face to face session during new employee orientation, offered on a bi-monthly or semesterly basis by HR, and via Webex by the Legal Department. All training will be available in languages normally spoken by the employees, and coordinated with Employee Development.
- TWC will be contacted to request alternate methods to training they offer, to include various languages, specifically in Spanish.
- Ensure our policy and handbook stated that alternate methods for training can be provided upon request.

- The “Supervisor Leadership Academy” currently being created will cover the aforementioned, as well communicate the additional supervisor responsibilities. That training will be tailored to the specific risk elements present in each individual departments.

Ms. Pamela Mayfield, Associate Vice Chancellor of Human Resources will be responsible for implementation of this corrective action plan.

Organizational Culture:

In interviews we conducted with senior managers, we determined that a zero tolerance attitude has been effectively communicated. However, in those same interactions, almost all of the managers equated workplace harassment with sexual harassment. We recommend an intentional effort be made to ensure all employees understand harassment can take many different forms, and that they have responsibilities under each. We feel this can best be incorporated in the policy and training recommendations previously stated. To be clear, we are not recommending de-emphasizing sexual harassment, rather emphasizing the other forms

Management Response

Management of the Human Resource department agrees with the observations made in the audit regarding **Organizational Culture**. By October 2019, the Human Resources Department during the previously mentioned trainings will communicate to all employees that harassment can take many different forms, and that they have responsibilities under each.

Ms. Pamela Mayfield, Associate Vice Chancellor of Human Resources will be responsible for implementation of this corrective action plan.

Reporting Methods:

Employees have multiple methods of reporting harassment claims, with the most effective being done in person to either a supervisor or an HR representative. The College also utilizes an anonymous hotline administered by Internal Audit for reporting fraud, waste, and abuse. That hotline has received HR –related matters in the past. We recommend marketing efforts on the hotline be expanded so that employees know harassment claims and other HR related issues can also be reported on the hotline.

Management Response

Management of the Human Resource department agrees with the observations made in the audit regarding **Reporting Methods**. This was caused by the hotline not being marketed as a tool to report workplace harassment. By October 2019, the Human Resources Department will identify the hotline as a reporting method on the College’s website, in its harassment policy, and in its employee handbook.

Ms. Pamela Mayfield, Associate Vice Chancellor of Human Resources will be responsible for implementation of this corrective action plan.

Investigations:

We found investigations to be timely, comprehensive, and well-documented/restricted. We recommend, though that the documentation be standardized for each investigation. We noted slightly different documentation based upon who performed the investigation.

Management Response

Management of the Human Resource department agrees with the observations made in the audit regarding **investigations**. This was caused by lack of alignment/streamlining of forms and processes. By October 2019, the Human Resources Department ensure documents and forms used in the investigations are standardized. Each HR Business Partner will be provided with a standardized template.

Ms. Pamela Mayfield, Associate Vice Chancellor of Human Resources will be responsible for implementation of this corrective action plan.

Consequences: Awareness, identification, and resolution of harassment is not maximized. This leads to unnecessary costs, and negatively impacts employees.

Possible Solution: See the recommendations listed in each section.



To: Shelly Scherwitz, Executive Vice President/OIT
 From: Jason D. Mallory, Audit Director
 Subject: TAC 202 Compliance – Quarterly Update
 Date: July 12, 2019

The purpose of this memo is to provide you the implementation statuses of IT controls required by TAC 202. The chart below provides a summary of the statuses, to include controls that your office has addressed, but my office has not yet had an opportunity to verify. It also shows the progress from the last quarter.

CURRENT RESULTS

TAC 202 Control Family	Implemented	Implemented with Recommendations	Not Implemented	Total Required Controls	Pending Verification by IA
Access Control (AC)	7	2	3	12	2
Authority and Purpose (AP)	0	0	0	0	0
Accountability, Audit, Risk Management (AR)	0	0	0	0	0
Awareness and Training (AT)	3	1	0	4	0
Audit and Accountability (AU)	4	4	2	10	0
Security Assessment and Authorization (CA)	3	2	2	7	1
Configuration Management (CM)	2	0	6	8	2
Contingency Planning (CP)	4	2	1	7	0
Data Quality and Integrity (DI)	0	0	0	0	0
Data Minimization and Retention (DM)	0	0	0	0	0
Identification and Authentication (IA)	5	1	1	7	0
Individual Participation and Redress (IP)	0	0	0	0	0

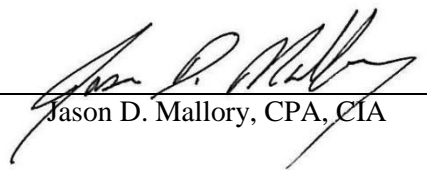
Incident Response (IR)	4	3	0	7	0
Maintenance (MA)	3	0	1	4	1
Media Protection (MP)	2	1	1	4	1
Physical and Environmental Protection (PE)	7	2	1	10	0
Planning (PL)	1	0	2	3	0
Program Management (PM)	10	5	1	16	0
Personnel Security (PS)	2	5	1	8	1
Risk Assessment (RA)	2	1	1	4	1
System and Services Acquisition (SA)	3	1	3	7	0
System and Communications Protection (SC)	7	1	3 See note 1	11	1
Security (SE)	0	0	0	0	0
System and Information Integrity (SI)	2	1	3	6	0
Transparency (TR)	0	0	0	0	0
Use Limitation (UL)	0	0	0	0	0
Total	71	32	32	135	10
	52%	24%	24%	100%	
Previous Quarter Results	70	29	36	135	8

Note 1: Management has elected to not implement controls SC-20 & SC-21 because implementing is too costly, and does not provide additional risk mitigation. Furthermore, they have researched other agencies and institutions of higher education, and no one else has implemented the controls.

There are also, **at least 8 new PCI controls pending our review.**

We appreciate your efforts, and encourage you to continue progressing with implementing the currently outstanding TAC 202 & PCI controls.

Submitted by:

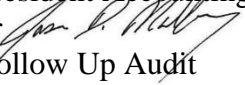

 Jason D. Mallory, CPA, CIA

July 12, 2019

Date

cc: Mike Reeser, Chancellor/CEO
Ricardo Herrera, VC/CSSO
Audit Committee



To: Melinda Boykin, Sr. Executive Director of Procurement
Chad Wooten, Executive Vice President Accounting and Reporting
From: Jason D. Mallory, Audit Director 
Subject: Statewide Fixed Asset Control Follow Up Audit
Date: July 12, 2019

In fiscal years 2017 & 2018, we identified gaps within fixed asset controls in individual departments that we suspected were symptomatic of College-wide gaps. Accordingly, we performed a comprehensive follow-up audit of fixed asset in June 2018 to gauge our suspicions. We identified the following the controls gaps during that follow-up audit:

- We identified several fixed asset custodians who failed to complete their annual inventory documentation.
- Changes noted by fixed asset custodians who properly completed their annual inventory documentation were not consistently updated in Colleague by inventory control technicians.
- We found asset transfers were not always timely, and not always supported by an acknowledgement of receipt from the receiving custodian. In short, people were being assigned custody of assets without affirming their receipt and responsibilities to safeguard these assets.
- We identified a failure to timely and properly reassign assets of terminated employees to another custodian. Ideally, this should occur as part of the campus clearing process.
- Finally, we found assets were being coded as disposed before they were actually disposed, opening the door for assets to simply “disappear” from the records without detection.

In November 2018 and June 2019, we performed follow-up testing on the deficiencies listed above. In our June 2019 testing, we also elected to test the recorded purchase price of recently acquired assets. The following chart illustrates the results of testing performed this fiscal year:

Control Gap	November 2018 Test Results	June 2019 Test Results
Fixed asset custodians failing to complete their annual inventory documentation.	Improved	Not retested
Changes by fixed assets custodians who properly completed their annual inventory documentation were not consistently updated in Colleague by the inventory control technicians.	Still needed attention	Improved

Transfers of assets from one custodian to another custodian not being timely, and not always accompanied by acknowledgement of receipt from the receiving custodian.	Still needed attention	Still needs attention
Need to reassign assets of terminated employees	Still needed attention	Improved
Coding disposed asset only when actually disposed.	Improved	Not retested
Purchase price reflected accurately in Colleague.	Not tested	Operating effectively

As illustrated above, we noted marked improvement in several areas during our testing in November 2018 and July 2019. The only area we found that still needs attention relates to asset transfers. This will be retested in FY 2020, with random testing in the other areas to ensure implementation is ongoing.

During our conversations and testing, we also noted two opportunities to manage fixed asset stewardship more effectively and efficiently. These included initiating an effort to identify and dispose of assets that are probably idle and fully depreciated. And implementing scanning technology after a new ERP system is implemented, which would allow the annual inventory to be more easily and accurately performed.

We determined that almost 25 thousand assets at a historical cost of \$99 million are currently on the fixed asset system. All of these assets must be accounted for annually. We further determined that almost 7 thousand of those are over 10 years old, and fully depreciated. Those have a recorded historical cost of \$25 million. We feel these figures support the idea that an effort to identify and properly dispose of assets over 10 years old would improve the effectiveness and efficiency of the annual inventory of fixed assets by decreasing man hours spent. It would also lessen the inherent risk of loss, theft, etc. Finally, such an effort could also generate cash for reinvestment in instructional programs.


In regards to implementing scanning technology, we called several other colleges and universities to determine how they perform their annual inventory processes. We did not find any that does not use this technology. Several also employ student workers to perform the inventory due to the decreased labor cost and lost productivity.

In conclusion, several fixed asset controls have been improved. There is one that will be retested in FY 2020 because the results were not yet satisfactory. We commend you for the progress you made this year. We encourage you to implement a process to identify and dispose of fully depreciated assets that are idle within the next fiscal year. And to make an effort to implement scanning technology after the new ERP system is implemented.

We appreciate the assistance given during these follow-up audits.

cc: Mike Reeser, Chancellor/CEO
Jonathan Hoekstra, VC/CFO
Audit Committee



To: Aurelio Torres, Police & Safety Commissioner
Chris Martin, Director/Governance, Risk & Compliance
From: Jason D. Mallory, Audit Director 
Subject: Safety & Security Follow Up Audit
Date: July 12, 2019

In fiscal year 2018, we conducted a comprehensive audit of safety & security at each College campus. In that audit we identified numerous effective safety practices, as evidenced by limited injuries and safety incidents. But, we also identified a need, made evident by the consolidation of the College in 2015, to standardize safety processes between campuses, and to better establish organizational expectations and accountability in regards to safety. This need was supported by specific observations, with the more significant ones being:

- Accident reporting and handling was inconsistent between campuses. People also voiced a concern that the process was not well understood, ineffective, and untimely.
- Injury analysis was informal, at best. While injuries are inevitable, the College was not effectively analyzing root causes of injuries that occurred to identify comprehensive corrective action to be implemented to prevent recurrence. Furthermore, all injuries, like those to students, were not included in the analysis that was being performed.
- Frequency and thoroughness of safety inspections and drills was inconsistent between campuses. And because there was also not a formal follow-up process to ensure safety issues were addressed timely, accountability was frequently lacking.
- Safety signage was often outdated and inconsistent between buildings and campuses.

We also identified isolated safety issues, such as emergency lighting not working, grinders not having appropriate guards, people smoking directly outside of buildings, and a large stack of used tires stockpiled with no obvious plans for disposal.

Since September 2018, Internal Audit has worked closely with the Safety and Governance, Risk & Compliance (GRC) Departments. We have determined that standardization and accountability has significantly improved since the 2018 audit. While improvements are ongoing, some of the notable ones we observed through this year include:

- A method for tracking and following up on all safety deficiencies identified by internal and external inspections and audits has been implemented. There has also been obvious efforts made to inform managers with the appropriate level of authority of safety deficiencies, and escalate when those deficiencies are not timely resolved.

- Standardized and accurate safety related signage is being deployed at each campus. This safety signage allows employees and students at each campus to readily know how to report and deal with injuries, identify evacuation routes, and handle an active shooter situation.
- Dedicated safety professionals are implementing standardized safety inspections/drills and reporting at all campuses.
- Frequent meetings are being held with persons from across the College who are responsible for specifically charged safety. These meetings have included outside persons from SORM to offer recommendations and guidance. In that regard, safety training has also been conducted at each campus for the entire campus communities to ensure everyone understands safety is everyone is responsible for safety.
- An effort has been made to enhance relationships with external safety examiners, such as SORM and the State Fire Marshal. This is best evidenced by these representatives participating in the meetings mentioned above.
- There is definitive evidence of injury tracking to proactively address safety trends.
- A College-wide safety survey was completed by employees, with results being used to improve the physical campus environment, and establish an improved feeling of safety.

We have also determined, on a limited basis, that some of the isolated safety issues have been, or are, in the process of being corrected. The removal of the stockpiled tires is a noteworthy example, as this has been an ongoing issue for at least 6 years. For the ones we did not inspect, they will be revisited during the standardized safety inspections and follow-up process mentioned above. And the audit we will conduct in FY 2021 will again include random observations of safety practices.

Given the progress that has been demonstrated, and the issues that have been addressed, we feel the deficiencies noted in the original audit have been adequately addressed with appropriate processes. Safety is constantly changing. The Safety and GRC Departments have made a commendable effort to improve safety processes so that they quickly identify and respond to unsafe situations. We will remove safety from our follow-up schedule, with the next full-scope audit being scheduled for FY 2021. Nevertheless, we will continue to assist the Safety and GRC Departments when requested.

cc: Mike Reeser, Chancellor/CEO
Ray Rushing, VC/CLO
Audit Committee



May 17, 2019

Mr. Mike Reeser
Chancellor
Texas State Technical College System
3801 Campus Dr.
Waco, Texas 76705-1607

Dear Mr. Reeser:

We have completed a post-payment audit of certain payroll, travel and contract transactions of the Texas State Technical College System (College). We would like to thank you and your staff for your responsiveness and cooperation in assisting us with this audit. A draft of this audit report was sent to Vice Chancellor Finance & CFO Jonathan Hoekstra on April 25, 2019. The College's response to the draft is included in this report.

Our purpose was to determine whether the College's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the Uniform Statewide Accounting System (USAS) and the Human Resource Information System (HRIS). The College is responsible for ensuring that its staff is knowledgeable in these areas.

We intend for this report to be used by the College's management and certain state officials and agencies as listed in Texas Government Code, Section 403.071. However, this report is a public record and its distribution is not limited.

We noted other matters involving the processing of expenditures by the College that we communicated to Jonathan Hoekstra in an email dated April 25, 2019.

The College may inquire about and register for training related to expenditures through the Fiscal Management [Training Center](#).

We would like input from you or your designee on the quality of the audit process and the service the audit staff provided while conducting this audit. Please take our [Post-Payment Audit Survey](#) to rate and comment on the post-payment audit process. Your feedback is greatly appreciated.



Mr. Mike Reeser

May 17, 2019

Page Two

Thank you for your cooperation. If we can be of any further assistance, please contact anna.calzada@cpa.texas.gov or 512-463-4338.

Sincerely,



Michael Apperley

Manager

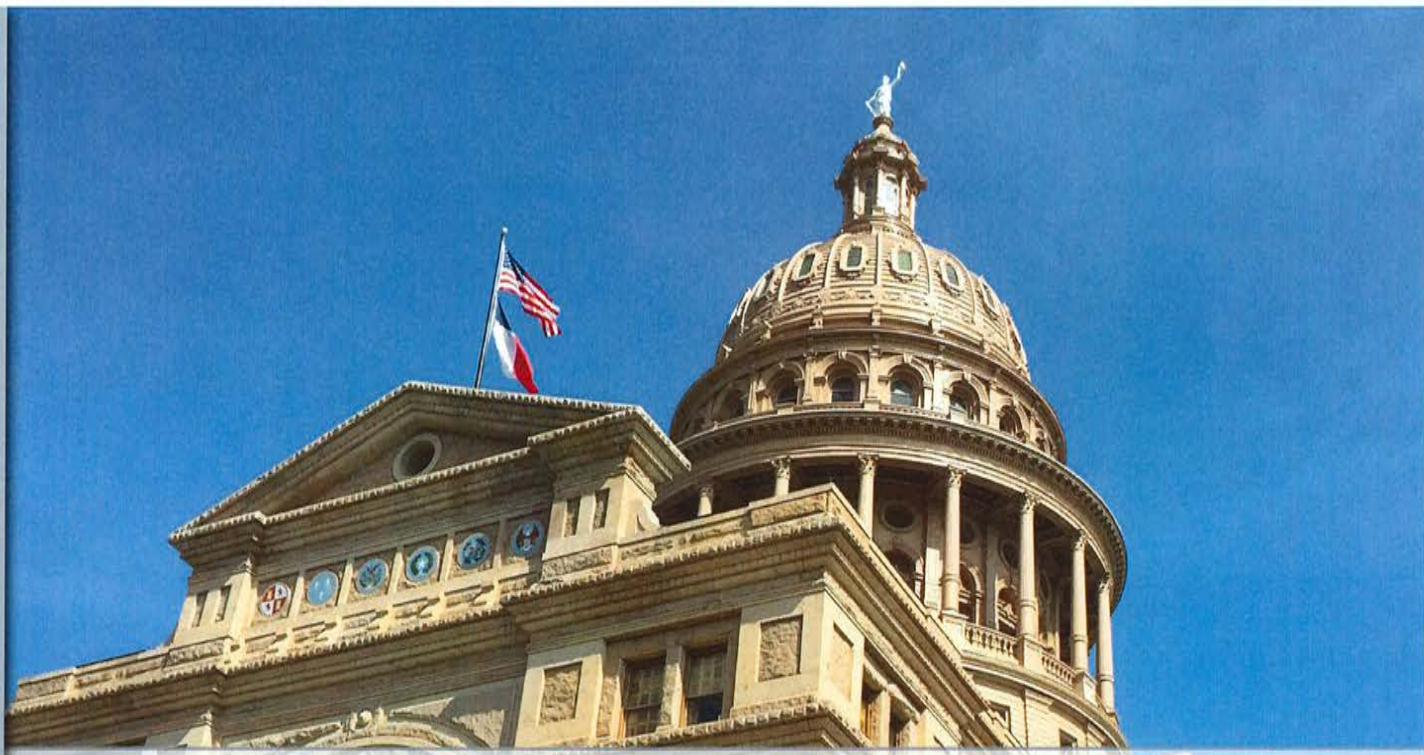
Statewide Fiscal Oversight

Fiscal Management Division

Attachments

cc: Jonathan Hoekstra, Vice Chancellor Finance & CFO, Texas State Technical College System
Chad Wooten, Executive Vice President, Accounting & Reporting, Texas State Technical College System
Jason Mallory, Director, Internal Audits, Texas State Technical College System
Anna Calzada, Auditor, Texas Comptroller of Public Accounts





An Audit of **Texas State Technical College System**

Audit Report # 719-18-01
May 17, 2019

Glenn Hegar
Texas Comptroller of Public Accounts





Table of Contents

Executive Summary

Purpose and Scope	1
Background	1
Audit Results	1
Key Recommendations	3

Detailed Findings

Payroll Transactions	4
Incorrect Overtime Payment/Missing Dual Employment Notification Form	4
Travel Transactions	6
Contract Transactions	6
Security	6
Failure to Request Security Access Removal	7
Internal Control Structure	8
Control Weakness over Expenditure Processing	8
Fixed Assets	9
Targeted Analysis	9
Duplicate Payment	9

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team	10
Appendix 2 — Definition of Ratings	12



Executive Summary

Purpose and Scope

The objectives of the Texas State Technical College System (College) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2016, through Aug. 31, 2017.

Background

Texas State Technical College was established in 1969, and is a technical state college with 10 campuses throughout Texas. It is a two-year institution of higher education offering courses of study in technical vocational education.

Texas State Technical College
System website



<https://www.tstc.edu/>

Audit Results

The College generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with travel and contracts. However, the College should consider making improvements to its payroll, system security, internal control structure and payment processes.

The auditors reissued two findings from the last audit conducted at the College related to duplicate payments and internal control structure. Auditors originally issued these findings in January 2015. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	Two employees received incorrect overtime payments. Also, one employee was missing a dual employment notification form and was not receiving overtime pay or credit for the time worked in excess of 40 hours per week.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Contract Transactions	Did contract transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Security</u>	Did all system access to process payments comply with all the Comptroller security guidelines?	One employee retained the security to expend funds after authority expired.	Compliant, Findings Issued
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 One employee with overlapping security access.	Control Weakness Issues Exist
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
<u>Targeted Analysis</u>	Did purchase transactions comply with all pertinent statutes and Comptroller requirements?	 Two duplicate payments processed during the audit period.	Control Weakness Issues Exist



Repeat Finding



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The College must enhance its overtime calculation process to ensure it includes eligible entitlement amounts in the regular pay rate for the calculation of overtime pay, specifically hazardous duty pay and longevity pay.
- The College must ensure notifications sent to the Comptroller's office to remove an employee's Uniform Statewide Accounting System (USAS) security profile are sent on or before the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency.
- The College must have or implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.
- The College must strengthen its procedures to identify duplicate invoices to avoid making a duplicate payment to a vendor. Also, the College should ensure its accounting staff reconciles invoices and payments to prevent duplicate payments.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 50 employees (186 payroll transactions) to ensure that the College complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. The review also included a report that identifies employees who might be dually employed and subject to the overtime provisions of the Fair Labor Standards Act (FLSA). Additionally, a limited sample of 10 voluntary contributions transactions was audited with no exceptions identified. Audit tests revealed the following exceptions in the payroll transactions.

Dual Employment

If the person is subject to the overtime provisions of the federal Fair Labor Standards Act of 1938 in an employment, the employing agencies and institutions of higher education shall ensure that the person is compensated for all combined time actually worked that exceeds 40 hours per week in accordance with the overtime provisions of the federal law. The agencies and institutions shall cooperate to determine which agency or institution is responsible for ensuring that the employee is properly compensated according to those provisions.

Incorrect Overtime Payment/Missing Dual Employment Notification Form

In the audit of payroll transactions, auditors identified three instances where an employee's hazardous duty pay was not included in the employee's overtime pay calculation, resulting in an underpayment.

Special payments such as longevity pay, hazardous duty pay, benefit replacement pay and housing emoluments must be included in the regular pay rate for the calculation of overtime pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Overtime](#).

According to the College, the overtime calculation process is manual, and it erroneously did not include stipends, only gross wages. The College stated that it is re-evaluating the overtime calculation process to ensure compliance with all payroll guidelines.

Also, in a report generated outside the sample, auditors identified an employee who worked at the College and one of the University of Texas campuses who was subject to the overtime provisions of FLSA but was not receiving overtime pay or credit for the time worked in excess of 40 hours per week. Employees should notify their current employer prior to obtaining a second employment. See [Government Code Section 667.007](#). Prior to the audit, the College did not have a dual employment notification form for employees to fill out. The College stated that the employee verbally informed the payroll officer about the dual employment, which was notated in the personnel file.



The state of Texas is considered a single employer for purposes of FLSA, so all time worked in a week by an employee employed at more than one state agency or institution of higher education must be considered when computing overtime. Accordingly, if the dually employed employee is subject to FLSA provisions in one of the employments, the employee is FLSA-covered in all employments.

The College should have acted on the dual employment information verbally provided to the payroll officer to avoid the potential for not compensating an employee appropriately. Also, the College should have coordinated with the other state agency to determine whether the employee was subject to FLSA because of the dual employment. The employing state agencies or institutions of higher education must coordinate work schedules and ensure that the employee is paid or credited with all the time worked in excess of 40 hours per week.

The College contacted the second employer and concluded that the employee was eligible for overtime pay. Based on discussions with the second employer, the College decided that it would pay the employee the overtime pay due. The College requested timesheets for the periods in which the employee was dually employed and paid the employee \$5,841.36 to compensate for the overtime due. The College used the hourly rate at the second entity, not the College, to calculate the amount of overtime pay due, so the employee could potentially be due additional overtime pay.

As a result of the audit, the College created a dual employment notification form and a policy to ensure coordination of work schedules so employees are paid or credited with all time worked in excess of 40 hours per week. The College has also implemented an onboarding process for new employees to declare their intention to enter or maintain multiple state employments.

Recommendation/Requirement

The College must enhance its overtime calculation process to ensure it includes eligible entitlement amounts in the regular pay rate for the calculation of overtime pay, specifically hazardous duty pay and longevity pay. The College must compensate employees for any underpaid amounts.

The College should review the [Statewide Payroll/Personnel Reports Guide – State Employees Employed by More than One State Agency \(FPP D.002\)](#) and coordinate with other agencies or institutions to ensure dually employed employees are, and have been, properly compensated. Additionally, the College must contact the U.S. Department of Labor, Wage Hour Division (WHD) and obtain its determination regarding the correct hourly pay rate to use, and determine whether the college, or the second employer, should pay additional overtime pay and how much the employee should be paid, if applicable. In the future, the College must contact WHD as soon as it becomes aware of any similar situations.



College Response

TSTC has re-evaluated and prepared changes to the overtime calculation process to include all appropriate stipends and eligible entitlement amounts including hazardous duty pay and longevity pay. The process change is expected to become effective no later than August 2019.

TSTC is now reviewing a monthly report that includes data provided by the Comptroller's office to identify any employees who are currently dually employed. This monthly review began in August 2018. Also, TSTC has created a dual employment notification form to be required in new-hire documentation. Completed forms will be reviewed at the time of hire to ensure that, in the event of dual employment, the situation is addressed with the other state agency and determinations are made regarding which agency pays additional overtime and how the amount is calculated. This form is expected to be in use by August 2019.

Lastly, TSTC contacted the Department of Labor, Wage Hour Division, in May 2019 to determine the correct hourly rate to be used related to the audit finding. The Department is currently doing research on the issue, and TSTC expects to have resolution on the matter in late May 2019.

Travel Transactions

Auditors developed a representative sample of 20 travel transactions to ensure the College complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

An additional 17 travel card transactions from a special report outside of the sample were tested. Audit tests revealed no exceptions in the travel transactions.

Contract Transactions

Auditors developed a representative sample of 16 contract transactions to ensure that the College complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Security

The audit included a security review to identify any of the College's employees with security in USAS, or on the voucher signature cards, who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. Audit tests revealed the following security exception.



Failure to Request Security Access Removal

During the audit period, the College failed to submit a timely request to the Comptroller's office to remove one employee's USAS security to approve expenditures electronically.

The College submitted a request to remove the employee from the signature card on Sept. 19, 2017, but did not submit a request to remove the employee's USAS security until Feb. 28, 2018, 162 days after the employee's revocation date.

The Comptroller's office removed the electronic approval access on Sept. 25, 2017. This could have permitted the employee to approve any vouchers the College submitted electronically to the Comptroller's office through USAS for six days after authority expired. Auditors verified no documents were processed or approved by the employee during those six days.

When an employee's authority to approve an agency's expenditures is revoked, the employee's USAS security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

When a termination occurs, the College must submit USAS security removals in a timely manner. In this case, the employee transitioned between departments and no longer needed the ability to approve expenditures. The College assumed the signature card removal would be sufficient to remove the USAS security access. Workflows have now been updated to ensure USAS security access is always removed timely, independent from the signature card change process.

Recommendation/Requirement

The College must ensure that notifications sent to the Comptroller's office to remove an employee's USAS security profile are sent on or before the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency.

College Response

TSTC will update workflows to ensure that two notifications are sent simultaneously to the Comptroller's office to avoid a potential delay in both the signature card authority and electronic approval access being updated at the same time.



Internal Control Structure

The review of the College's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exception in user access.

Control Weakness over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the College placed on its accounting staff's ability to process expenditures. Auditors reviewed the College's security in USAS, Texas Identification Number System (TINS) and voucher signature cards that were in effect on March 16, 2018. Auditors did not review or test any internal or compensating controls that the College may have relating to USAS, TINS security or internal transaction approvals.

The College had one employee who could adjust payment instructions in TINS and approve paper vouchers by being on the signature card. The College explained that the employee's job function changed and the access was not updated. After auditors alerted the College, the employee's TINS access was changed to inquiry only in April 2018.

Recommendation/Requirement

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

The College must limit the access of users who can approve paper vouchers (being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.

College Response

In this instance, an employee's job functions changed as a result of college restructuring, and TINS access was not changed to view only. Once identified, the access was changed immediately. TSTC's processes to ensure segregation of duties for new employees are fully effective, but segregation of duties review for employees who change job duties are not entirely formalized. Procedures/checklists in the event of job transitions will be reviewed to ensure segregation of duties is maintained after transition.



Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the College's internal system. All assets tested were in their intended location, properly tagged and properly recorded in their internal system.

Targeted Analysis

The audit included a review of reports to help identify potential duplicate payments processed by the College during the audit period. Audit tests revealed the following exceptions for this group of transactions.

Duplicate Payment

In a report generated outside the sample, auditors identified two duplicate payments the College processed during the audit period. The amounts of the duplicate payments were \$1,159.07 and \$293.80. The College agreed that the transactions were duplicate payments. In one instance, the College did not detect the duplicate payment because the transactions were processed in different years but with the same document number. In the second instance, the approving department submitted the invoice for payment twice under two different Purchase Order (PO) numbers so the duplicate payment was not identified.

The College sought reimbursement from one vendor and received it. For the other duplicate payment, the College attempted to collect from the vendor but the vendor was no longer in business. In both instances, the College processed payment vouchers to reimburse the state.

Recommendation/Requirement

The College must strengthen its procedures to identify duplicate invoices to avoid making duplicate payments to vendors. Also, the College should ensure its accounting staff reconciles invoices and payments to prevent duplicate payments.

College Response

Primary controls to identify duplicate payments are in place, including restrictions on using the same voucher number and notifications of duplicate invoice numbers. Further analysis of controls will be conducted to prevent other, less frequent errors such as payments in different years and submissions of the same invoice with different PO numbers. Also, training curriculum for procurement employees will be reviewed and updated to enhance focus on identification of potential duplicate payments.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - The Uniform Statewide Payroll/Personnel System (USPS),
 - The Standardized Payroll/Personnel Report System (SPRS) or
 - The Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the College's payroll, travel and contract transactions that processed through USAS and HRIS during the period from Sept. 1, 2016, through Aug. 31, 2017, to determine compliance with applicable state laws.

The College receives appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The College should implement the recommendations listed in the Detailed Findings of this report. It is the College's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure the College's documents comply in the future. The College must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

Anna Calzada, CTCD, Lead Auditor

Raymond McClintock

Aleks Necak



Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

June 7, 2019

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Lisa Frenette
Associate Vice President, Grant Accounting
Texas State Technical College - Harlingen
1920 North Loop 499
Harlingen, TX 78550

RE: AY 2016 A-133 Evaluation and Desk Review Management Letter and
Acceptance of Corrective Action Plan Letter
CFDA 84.048, Award# 14915, Perkins Career and Technical Education

Dear Ms. Frenette:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, must provide due diligence to ensure its subrecipients meet the requirements of the Single Audit Act Amendments of 1996, as prescribed in OMB Circular A-133 Compliance Supplement and Government Auditing Standards.

The purpose of this letter is to issue our management decision regarding the fiscal review of your organization's Appropriation Year 2016 A-133 evaluation. This letter also serves to communicate desk review compliance issue(s), if any, on federal funds awarded to your institution by THECB.

This letter also serves to issue our acceptance of the corrective action plan submitted in response to our May 28, 2019 Preliminary Findings regarding compliance issues identified by our desk review of federal funds awarded to your institution by THECB. The original findings and your corresponding corrective action for each finding are noted below.

A-133 Audit Findings: NONE.

Desk Review Findings: THECB staff noted non-compliance issues in the following areas:

1. Schedule A – Salaries and Fringe Benefits: Time and Effort Report and Certification

Salaries and fringe benefits in a total amount of \$1,442 were paid with grant funds for an employee in June 2016. Although signed timesheets were provided, time and effort certification was not provided for grant funded employee "VE", as was the practice for other grant funded IHE personnel. Per Uniform Grant Guidance, §200.430(i) Standards for Documentation of Personnel Expenses "charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed." The expenses in question are detailed below:

Employee	Document	Date	Amount	Support Documentation
VE	G/L & Payroll Register	6/30/2016	40.00	Timesheet
VE	G/L & Payroll Register	6/30/2016	1,402.00	Timesheet
		TOTAL:	\$1,442.00	

It is recommended that TSTC-Harlingen (1) reimburse the THECB \$1,442.00, (2) tighten controls to ensure compliance with future Perkins Salaries and Fringe Benefit expenses, and (3) review other personnel expenses reimbursed by Perkins grant funds to ensure that they are compliant with Federal grant requirements.

TSTC-Harlingen confirmed procedures were not in place during the test period reviewed and provided procedures that have been updated to reflect Uniform Grant Guidance requirements.

TEXAS STATE TECHNICAL COLLEGE - HARLINGEN Response:

TSTC Office of Sponsored Programs (OSP) have implemented the following:

- Beginning in May FY19, all campuses transitioned to one Time and Effort Form.
- Each month, employees whose salary comes from a state or federal grant (100% or partial) will receive an electronic time and effort form from OSP in which they record their total hourly activity, on a daily basis, for which they receive reimbursement from the college.
- This form will be certified by employee, supervisor, and OSP representative (see attached).

TSTC Management Response:

Division: Institutional Advancement, Office of Sponsored Programs

Senior Management: Carliss Hyde-Vice President, Cindy Reily-Assoc Vice President

Task	Brief Description	Responsible Individual	Expected Completion Date
1.1	Employee completes all fields on the time and effort form, signs and attests to the fact that the distribution of effort represents a reasonable estimate of all work performed. Approving manager also signs attesting to having first-hand knowledge of all work performed. Form is then forwarded to OSP to verify time against leave system. OSP signs and form is entered into official records.	Cindy Reily	5/1/19
1.2	Funds in the amount of \$1,442 to be returned to THECB.	Lisa Frenette	6/28/19

As mentioned above, we have reviewed the corrective action plan submitted by Texas State Technical College - Harlingen and find the plan acceptable.

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Elizabeth Steele via email at Elizabeth.Steele@THECB.state.tx.us or call 512-427-6418.

Thank you for your assistance,

A handwritten signature in black ink that reads "Mark Poehl". The signature is fluid and cursive, with the first name "Mark" and last name "Poehl" clearly distinguishable.

Mark Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit & Compliance

Cc: Cindy Reily, Associate Vice President, Sponsored Programs
Jason Mallory, Director, Internal Audit
Rebecca Silva, Vice President, Student Learning
Juan Garza, Executive Director, Sponsored Programs
Melissa Warren, Lead Grant Accountant



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

July 8, 2019

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Jonathan Hoekstra (jonathan.hoekstra@systems.tstc.edu)
Vice Chancellor & CFO
Texas State Technical College System
3801 Campus Drive
Waco, TX 76705

RE: AY 2018 A-133 Evaluation Management Letter

Dear Mr. Hoekstra:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, must provide due diligence to ensure its subrecipients meet the requirements of the Single Audit Act Amendments of 1996, as prescribed in the *U.S. Code of Federal Regulations Part 200* Uniform Guidance (2 CFR Part 200 Subpart F – Audit Requirements, formerly OMB Circular A-133 Compliance Supplement and Government Auditing Standards).

The purpose of this letter is to issue our management decision regarding the review of your organization's Appropriation Year 2018 Uniform Guidance 2 CFR Part 200 Subpart F Single Audit Report.

Uniform Guidance 2 CFR 200 Subpart F Audit Findings:
NONE.

We did not identify any issues with the Single Audit Report submitted.

If you have any questions, please contact Nancy Morales via email at Nancy.Morales@THECB.state.tx.us or call 512-427-6493.

Thank you for your assistance,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark Poehl, CPA, CIA, CISA, CFE
Director, Internal Audit & Compliance

cc: Jason Mallory, Director of Internal Audit



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

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

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