

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, February 6, 2020

10:30a.m.

AGENDA

**I. MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR CURTIS
CLEVELAND**

II. COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS

None.

IV. REPORTS:

1. Status of Fiscal Year 2020 Audit Schedule & Other Projects A-3
Jason D. Mallory
2. Summary of Audit Reports A-6
Jason D. Mallory
3. Follow-up Schedule & Status A-9
Jason D. Mallory

Please note: Meetings are scheduled to follow each other consecutively and may start earlier or later than the posted time depending on the length of the discussions and the reports of preceding meetings. The estimated times are approximate and may be adjusted as required with no prior notice.

4. C4EO Audit (19-032A)	A-15
<i>Jason D. Mallory</i>	
5. Benefits Proportionality Audit (20-001A)	A-19
<i>Jason D. Mallory</i>	
6. Annual Contracting Audit (19-031A)	A-23
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7. Internal Network Penetration Test - Harlingen (20-011A)	A-29
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8. TAC 202 - Quarterly Update (20-010A)	A-35
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9. Voluntary Education Institutional Compliance Program 2019 – Corrected Feedback Report	A-37
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10. Texas N-DEx Audit Compliance Report (Waco Police)	A-55
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11. Attestation Disclosures	A-56
<i>Jason D. Mallory</i>	

V. CHANCELLOR COMMENTS

VI. BOARD COMMENTS

VII. ADJOURN

Please note: Meetings are scheduled to follow each other consecutively and may start earlier or later than the posted time depending on the length of the discussions and the reports of preceding meetings. The estimated times are approximate and may be adjusted as required with no prior notice.



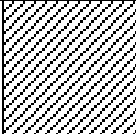
**Texas State Technical College
Internal Audit
Status of Fiscal Year 2020 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date
INTERNAL AUDITS				
Public Funds Investment Act Compliance Audit	Finance	Complete	20-004A	9/26/19
Internal Network Penetration Test (EWCHec)	OIT/Safety & Security/Provost Office	Complete	20-002A	9/27/19
C4EO Audit - 2019 Audit	C4EO	Complete	19-032A	11/15/19
Benefits Proportionality Audit	Payroll	Complete	20-001A	12/6/19
Contract Audit - 2019 Audit	Finance	Complete	19-031A	12/12/19
Internal Network Penetration Test (Harlingen)	OIT, Harlingen Campus	Complete	20-011A	12/13/19
TAC 202 Follow-up Audit	OIT	In Progress	20-010A	10/7/2019, 1/9/20
Career Services Audit		In Progress		
Clery Act Audit		In Progress		
Airport Operations Audit		In Progress		
Internal Network Penetration Test (Waco)		In Progress		
Waco Bookstore Integrated Audit				
Harlingen Bookstore Integrated Audit				
Accounting Controls Audit				
Help Desk Audit				
Field Support Audit				
Contract Compliance Audit				

EXTERNAL AUDITS

DOD: Voluntary Education Institutional Compliance Program 2019 – Corrected Feedback Report	VA Office	Complete		10/2/19
DPS: Texas N-DEx Audit Compliance Report	Waco Police	Complete		12/13/19
TWC: Monitoring review of SDF Contract # 2418SDF002	OSP/Harlingen	In Progress		
TWC: Monitoring review of SDF Contract # 2418SDF003	OSP/Harlingen	In Progress		
TWC Audit of Apprenticeship Training Program in Harlingen	OSP/Harlingen	In Progress		
USDA: NIFA Audit of UTRGV Subaward of 2015-38422-24061(03)	OSP/Harlingen	In Progress		
VA Audit	VA Office/Waco Campus	In Progress		
Texas Comptroller: Duplicate Payment Audit	Procurement	In Progress		

Description	Division/Campus	Status	Project No.	Report Date
OTHER INTERNAL PROJECTS				
Face to Face Complaint: A concern was raised that a manager accepted impermissible gifts in exchange for awarding contracts. Results: Unable to determine whether gifts were accepted, but validated that a personal relationship existed between the manager and the vendor which created an appearance of impropriety and bias. As a result, the manager was separated from the College, and enhanced procedures were implemented to prevent recurrence.	Facilities	Complete	20-006I	10/8/19
Internal Hotline: Employee alleged hostile work environment. Results: Complaint was forwarded to HR for investigation/resolution.	HR Related Issue	Complete - No report issued by IA	20-017I	12/12/19
Internal Hotline: Allegation of conflict of interest due to related party purchases and violation purchasing regulations. Results: This same complaint was investigated in October 2017 at project 18-015I. We determined that the conflict was disclosed to the COI and Executive Management/Board, majority of purchases were paid by the Foundation, and the accused was not involved in the procurement process.	Procurement	Complete - Referred to previous investigation performed in FY 2018.	20-018I (18-015I)	10/31/17
Report by COI Committee: A concern was raised that an employee has indirectly benefitted by referring students to his/her part-time employer, and disclosed personal information. Results: Determined that the employee is dually employed. Recommended he not be involved in the referral process going forward.	Harlingen/Counseling	Complete	20-019I	1/14/20
Request by management: A concern was raised that an employee(s) were involved in selling/purchasing surplus property outside of the prescribed process. Results: Determined that asset control procedures were lax. We could not validate the specific concern, but cited several examples of poor controls that needed to be addressed.	Central Receiving/Instruction (Harlingen Campus)	An employee was separated from the College, with others also being disciplined. We are pending a final response to our findings and recommendations.	20-015I	Pending final responses.
Assisting management with inventorying all IT closets so that access and fire risks can be better managed.	OIT/Finance/HR	In Progress	20-007A	
Consulting: Serving on Workday implementation. Role is limited to monitoring re-designed business processes for unmitigated risks, and raising security concerns.	OIT/Finance/HR	In Progress		

Description	Division/Campus	Status	Project No.	Report Date
Consulting: Serving on Waco Task Force for demolishing the numerous building. Role is limited identifying potential risks and suggesting ways to mitigate those risks.	Facilities/Finance	In Progress		
Employee Complaint: Allegation that a current instructor is using College assets for personal use. Results: Pending investigation.		In Progress	20-020I	
SAO Hotline: Former student at TSTI Amarillo alleged that he is having to pay student loans that he never received in 1985. Results: Pending investigation.	Financial Aid		20-021I	



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
C4EO Audit (19-032A)		No findings identified.			
Benefits Proportionality Audit (20-001A)		No findings identified.			
Annual Contracting Audit (19-031A)	1. We identified requirement exceptions for 2 of the contracts we reviewed, with the most significant issue relating to the approval authority for one of the contracts.	1. A contract with an estimated value of \$539,732 was executed by a person with authority only up to \$500,000. 2. Some compliance related documents for another contract were completed and/or signed after the contract was executed.	1.1 Management will continue to improve the contract management workflow by ensuring documents are completed and signed timely, and that the Delegation of Authority is followed.	Boykin/Hoekstra	Immediately
Internal Network Penetration Test - Harlingen (20-011A)	1. Eight people provided user IDs and logons as a result of our phishing emails and social engineering telephone calls. Two of those people also provided their credentials in a similar test in 2017.	Our vishing phones calls resulted in 8 people providing user IDs and passwords to Colleague.	1.1 Enhance training efforts throughout the campus 1.2 Counsel all 8 individuals that were comprised and include notes in the performance reviews of the 2 repeat offenders.	Hernandez	Immediately
TAC 202 - Quarterly Update (20-010A)	1.	4 more controls were implemented between October 1, 2019, and December 31, 2019 for the systems we have audited to date.			

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Voluntary Education Institutional Compliance Program 2019 – Corrected Feedback Report by DOD	1. Minor issues relating to designating a point of contact or office for training and qualifications of any points of contact for Servicemembers seeking information on the TA program, Title IV funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.		A job description for Veteran Program Officers has been attached. A Veterans Program Officer maintains TA, Title IV funding, and VA Education Benefits by attending internal and external training and participating in webinars. This was immediately corrected.	Guevera/Stuart-Carruthers	10/22/19
	2. Minor issues relating to designating a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.		A job description for Enrollment Coach, Disability Services, Support Services, Career Services, and Counselor has been attached. The point of contact for each position is required to maintain knowledge by attending internal and external training and participating in webinars.	Guevera/Stuart-Carruthers	10/22/19
	3. A lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid.		Financial Aid information that is available to veterans was shared with the examiner that was not originally sent during the exam.	Guevera/Stuart-Carruthers	10/18/19
	4. The tuition listed on the website does not match the tuition information in the DoD MOU.		Updated the DoD MOU website with current tuition rates.	Guevera/Stuart-Carruthers	9/15/19
	5. A policy to return unused Tuition Assistance has not been published.		While there is a procedure to return unused tuition, a formal policy was not in place or published. A policy has been drafted and will be submitted to the Board for approval.	Guevera/Stuart-Carruthers	4/15/20

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Texas N-DEx Audit Compliance Report (Waco Police) by Texas DPS		No findings identified.			

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

Completion Summary			
	9/30/19	12/31/19	Cleared from (Added to) Schedule
Audits from FY 2017 & Earlier	2	2	0
Audits from FY 2018	2	1	1
Audits from FY 2019	9	10	(1)
Audits from FY 2020	1	0	1
Net Total	13	13	1
Findings from FY 2017 & Earlier			
Findings from FY 2018	2	2	0
Findings from FY 2019	2	1	1
Findings from FY 2020	11	11	0
Findings from FY 2020	1	0	1
Net Total	16	14	2

Highlights:

TAC 202 Audits: 4 more controls were implemented.
PCI Audit (18-009A) has 8 controls pending Internal Audit review.
Annual Compliance Audit of TEC §51.9337 (18-047A): Training issues were addressed.
Graduation Audit (19-008A): Pending review by Internal Audit.
Helicopter Investigation (19-019I): Billing exceptions are pending review by Internal Audit.
Workplace Harassment Audit (19-014A): 1 task cleared with others pending Internal Audit review.
Challenger Audits : 1 task cleared with others pending Internal Audit review.
Public Funds Investment Act Audit (20-004A): Finding cleared.

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
Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HV/AC 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
TAC §202 Compliance Audits (17-002A) (19-004A), (19-003A), (19-017A), 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 12/31/19, 6 systems and the IT general controls have been audited. A total of 12 general controls and 86 (total for all systems audited) application controls were not yet implemented. In this quarter, 4 controls were improved to implemented status.		Ongoing

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.		Ongoing

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.	Pending Review: Follow-up in December 2019 indicated that the data would not be available for review until late January 2020.		12/31/19
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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
Helicopter Training Program Investigation (19-0091), Kilgore, Hockstra, Herrera	1. Summary: We did not identify any training of flight students performed by a contractor. Additionally, the student composition of HP/TP 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

Workplace Harassment Audit (19-014A), Hockstra, 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. 1.2 Frequent reminders to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team. 1.3 A single comprehensive policy will be created, with various forms of training being conducted.	Pending Review		9/30/19
			Pending Review		9/30/19
			Pending Review		10/31/19

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
Departmental Audit - Challenger Centers (19-018A & 19-019A), Mayfield, Balli, Wooten	1. Risks associated with minors on campus would be better managed by performing enhanced background checks on CLC employees, and requiring them to attend periodic training.	1.1 Determine whether DPS Fingerprint service can be utilized, and if not identify the an entity that will best serve this need.	Ongoing: At 12/31/19, the HR department was in the process of looking for a vendor to facilitate performing the fingerprint type background checks.		10/31/19
	2. Accounting processes for revenue need to be improved.	2.1 Accounting processes will be changed to record deferred/unearned revenue when missions are scheduled and invoiced. 2.2 Validate revenue and accounts receivable monthly.	Pending Review: At 12/31/19, we attempted to review, but encountered scheduling issues. We will review in the 3rd quarter.		11/30/19
			Pending Review: At 12/31/19, we attempted to review, but encountered scheduling issues. We will review in the 3rd quarter.		11/30/19
Admissions Process Audit (19-017A), Stuart-Carruthers, Foshie, Arredondo	1. Application processes need to be improved to ensure documentation is standardized, and communications with applicants are timely.	1.1 Enrollment Services 2.0 was created to reduce such errors and during the audit period trainings were taking place on new processes. All Enrollment Coaches will be issued their own stamps for documents. A Conditional Enrollment Agreement went into effect in July 2019 whereas prior to 2.0 a form was not required by all campuses.	Ongoing		5/31/20

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
		1.2 With the implementation of ES 2.0, a shift in communications moved from Colleague to Salesforce. While automatic letters still generate from Colleague, those tracks are under review to ensure communication is timely. A communication committee has been developed that will manage the creation, editing, and scheduling of all communication to applicants. Phone numbers have been updated as needed.	Ongoing		5/31/20
	2. Access to admissions and enrollment related mnemonics in Colleague needs to be better restricted.	2.1 Submitted a request to OIT to evaluate access for employees in question and remove if not appropriate. The Executive Registrar will collaborate with Human Resource and OIT to identify a process to ensure access is evaluated by the appropriate department when changes in employment within the college occur.	Ongoing		6/30/20
Annual Contracting Audit (19-032A). Boykin, Hoekstra	1. We identified requirement exceptions for 2 of the contracts we reviewed, with the most significant issue relating to the approval authority for one of the contracts.	1.1 Management will continue to improve the contract management workflow by ensuring documents are completed and signed timely, and that the Delegation of Authority is followed.	Ongoing: Will verify in the 2020 audit to be performed in August 2020.		Immediately

Internal Audit Department

Audit Report

C4EO Audit (19-032A)

TEXAS STATE TECHNICAL COLLEGE

November 15, 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 an internal audit of the operating results of the C4EO activities as they related to SkillsEngine for fiscal year 2019. The primary objective of the audit was to verify expenditures and revenues attributable to this activity were properly recorded, complete, and legitimate. An integral part of that objective was understanding the software that has been developed, and its benefit to not only the College, but to other colleges, governmental agencies, and employers.

To accomplish our primary objective we verified all revenue was received, or reasonably collectible. For a large sample of expenditures, we inspected invoices and evidence of payment to ensure they were fully recorded, and attributable to C4EO. These expenditures included operating and salary expenses. We also reviewed recordation processes, accounts receivable, and related internal controls.

We determined C4EO in fiscal year 2019 generated \$669,874 in revenue on expenditures of \$1,436,708. This resulted in a net deficit of \$766,834. More detail is provided in the Introduction section of this report. This deficit excludes appropriated revenue and expenditures paid with those funds. Our test work indicated that these operating results are reasonably stated. [Note: Because we are not independent of the College, our opinion and results are intended for management and Board use only. Our audit is not intended to replace an opinion offered by an independent CPA.]

Introduction

The Center for Employability Outcomes (C4EO) was created in 2015 as a department to assist with fulfilling part of the College's regulatory required mission defined by Title 3, Subtitle G, Chapter 135, Subsection 135.01 of the Texas Education Code (Vernon's 135.01). Vernon's 135.01 requires the College to contribute to the educational and economic development of Texas. Economic development efforts can include creating exemplary centers of excellence in technical programs and supporting educational research commercialization initiatives. The C4EO efforts described below touches all aspects of this mission. C4EO is comprised of 10 software developers and support staff overseen by the VC/C4EO. The department is located in Austin.

C4EO has developed software that translates and analyzes employment skills in light of employer needs. Early versions of the software were limited to translating information on a resume or job posting so that suitable matches between potential employees and employers could be made. That software has evolved to help the College tailor its curriculum to the actual needs of Texas industry, creating the potential for a more effective and efficient education. It does this through an algorithm that merges data supplied by businesses with curriculum and other data supplied by programs of instruction within the College. The ultimate benefit of the software to the College identifying skills Texas employers *actually* need so that curriculum can be best tailored to those actual needs.

Through a quasi-company known as SkillsEngine, the software created by C4EO has been marketed to other colleges, governmental agencies, software companies, and businesses. It sells two products – Calibrate which is used to align curriculum with skills needs, and an application program interface (API) which allows customers to use the functionality of the software to suit their individual needs (such as matching resumes to job posting). In fiscal year 2019, 18 customers purchased at least one of these products. Notable customers included the Texas Education Agency, Western Governors University, Houston Community College, and the U.S. Office of Personnel Management.

Between fiscal year 2016 through fiscal year 2019, revenues increased 704% from \$83,331 to \$669,874. During that same time period, expenditures only increased 68% from \$857,410 to \$1,436,708.

FY 2019 Operating Results

Revenue (Sale of Calibrate and API)		\$669,873.82
Expenses		
Wages & Benefits	(\$1,092,339.90)	
Travel	(\$20,258.33)	
Registration & Seminars	(\$2,982.02)	
Consulting	(\$127,880.45)	
Legal Fees	(\$8,727.75)	
Rental		
Office & Parking Rental	(\$108,115.20)	
Furniture Rental	(\$1,294.17)	
Utilities	(\$4,292.00)	
Contract Services	(\$53,449.82)	
Other Operating Expenses	(\$17,368.60)	
		(\$1,436,708.24)
Net Deficit		(\$766,834.42)

Through August 31, 2019, the accumulated fund deficit was (\$3,754,871.84)

Objectives

The primary objective of the audit was to verify expenditures and revenues that were attributable to this activity in fiscal year 2019 were properly recorded, complete, and legitimate. Secondary objectives were to compile an income statement, and understand how the software contributes to achieving the College's regulatory required mission.

Scope & Methodology

The scope of our audit included all transactions attributed to C4EO in fiscal year 2019. To accomplish our objectives we reviewed cash receipts, expense invoices, and all payroll transactions. We also interviewed management and employees, and reviewed the functionality of the software.

General Observations

C4EO has created innovative software that has the potential to better align the education provided by the College with the actual needs of employers, creating a more effective and efficient educational process. To recoup some of the operating expenses, management has actively marketed the software to other colleges, governmental agencies, and businesses. Several colleges and governmental agencies, including some in other states, have invested in the service. Expenses appear to have stabilized at approximately \$1.4 million each of the last 3 years, while revenue continues to increase at a high rate year over year. Projections provided by management anticipate a potential breakeven state by 2021/2022. Even though the software directly aligns with TSTC's mission and enhances its own educational processes, management is striving for the software to be profitable. The trends with revenue and expenses identified earlier indicate this as an attainable goal. The major hurdle to this goal is probably the lack of understanding by other colleges of the usefulness of the tool in closing the skills gap.

We noted innovation is important to C4EO employees. A collaborative environment is in place which fosters this. Finally, management meticulously tracks all expenses and revenues (projected and realized) on a daily basis. Business decisions are being made with these results in mind.

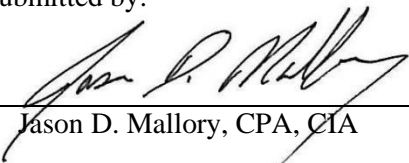
Summary of Finding

No material exceptions were identified.

Opinion

Based on the audit work performed, C4EO operated at a deficit of (\$766,834.42) in fiscal year 2019. Revenues have significantly increased since endeavor began, and expenses have been relatively flat for the past 3 years. The accounting of the operations was accurate, with related controls being appropriate. We would like to express our gratitude for the time and assistance provided by the faculty and staff during this audit.

Submitted by:


 Jason D. Mallory, CPA, CIA

November 15, 2019

Date

Internal Audit Department

Audit Report

Benefits Proportionality Audit (20-001A) **TEXAS STATE TECHNICAL COLLEGE**

December 6, 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

Internal Audit has audited compliance to Article IX, section 6.08 of the General Appropriations Act of the 86th Legislature as of November 30, 2019 (Section 6.08). This section of the Act deals with benefits proportionality. Rider 8 of the General Appropriations Act requires an audit of compliance for fiscal years 2017, 2018, and 2019, using methodology approved by the State Auditor's Office. All results must be submitted to the Legislative Budget Board, State Comptroller's Office and the State Auditor's Office by August 31, 2020. That methodology includes testing compliance to the applicable rules prescribed by Section 6.08, verifying the accuracy of the APS011 reports for each year, and identifying and reporting all instances of noncompliance with the proportionality requirements, regardless of materiality.

The scope of our audit included all salaries and benefits paid in fiscal years 2017, 2018, and 2019. We tested 120 payroll transaction in each fiscal year (for a total of 360 transactions) to ensure proportionality was achieved. In particular, we verified General Revenue (GR) did not pay more benefits than it should have based upon proportionality rules. We tested a sample of salary refunds to the State Treasury initially paid by GR and tuition to ensure benefits were also returned. We verified positions paid by appropriated funds were allowable, and reviewed the internal controls relied upon to achieve ongoing compliance. Finally, we verified the APS011 report for all three fiscal years were accurate, and that proportionality was achieved.

Based on our audit work, we determined the College complied with section 6.08 of the General Appropriations Act for fiscal years 2017, 2018, and 2019. We did not find any instance of non-compliance, nor identify any reimbursements that needed to be made to the State Comptroller due to non-compliance.

Introduction

Section 6.08 states employee benefits paid from GR shall be proportional to the method of finance that paid the related salaries and wages. It also requires a report be filed with the State Comptroller's and State Auditor's Offices by November 20 of each year demonstrating proportionality for the preceding fiscal year. Associated rules are developed by the State Comptroller, with compliance biennially subject to audit by the State Auditor (based upon a risk assessment they perform).

The College achieves benefits proportionality compliance on a transactional level through automated payroll and accounting processes. Benefits are allocated to the various funds by an automated process based upon which funds paid the salaries. The types of appropriated funds that are used are monitored and adjusted by the accounting office on a monthly basis, with the relevant reporting being done on an annual basis. The Payroll Department, Accounting, and Colleague programmers all play critical roles in ensuring benefits proportionality compliance.

For fiscal years 2017, 2018, and 2019, benefits paid from GR were approximately \$19,851,301, \$24,540,602, and \$25,332,173, respectively. For that same period, benefits paid from tuition revenue were \$6,689,944, \$2,348,796, and \$2,150,693 respectively.

Objectives

The overall objective of the audit was to ensure compliance with Article IX, Section 6.08 of the General Appropriations Act of the 86th Legislature for fiscal years 2017, 2018, and 2019. More specific objectives were to ensure:

- a. Employee benefits paid from GR were made proportionately from the same source the related salaries and wages were paid.
- b. The positions in which salaries were paid using appropriated funds (GR and tuition) were authorized to be paid using those funds.
- c. In instances where salaries paid by appropriated funds (GR and tuition) were returned to the State, all corresponding benefits were also returned.
- d. The APS011 reports were submitted timely and accurately to the State Comptroller, with benefits proportionality being achieved.

Scope & Methodology

The scope of our audit included all salaries and benefits paid in fiscal years 2017, 2018, and 2019. To accomplish our objective, we utilized the methodology prescribed by the State Auditor's Office as required by Rider 8, page III-46 of the General Appropriations Act of the 86th Legislature. That methodology included testing compliance to the applicable rules prescribed by Section 6.08, verifying the accuracy of the APS011 reports for each year, and identifying and reporting all instances of noncompliance with the proportionality requirements, regardless of materiality.

General Observations

An automated process for calculating benefits proportionality has been established that significantly reduces the risk of error. In our testing, we did not identify any compliance errors. Additionally, procedures have been established which would detect material deviations should they occur. Furthermore, the College's Controller completes the required reporting timely and accurately.

Summary of Findings

No issues of non-compliance or instances requiring reimbursement were noted.

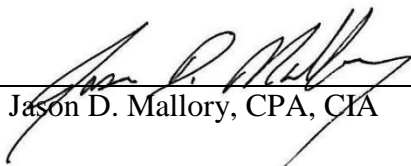
Opinion

Based on the audit work performed, the College complied with Article IX, Section 6.08 of the General Appropriations Act of the 86th Legislature for fiscal years 2017, 2018, and

2019. There were no instances found in our audit or the audit performed by the State Auditor that required reimbursement to the State Comptroller

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

Submitted by:



Jason D. Mallory, CPA, CIA

December 6, 2019

Date

Internal Audit Department

Audit Report

Annual Contracting Audit (19-031A)
of
TEXAS STATE TECHNICAL COLLEGE

December 12, 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 completed a compliance audit of contracts as of September 30, 2019. The primary purpose of this audit was to verify compliance to the requirements added by Senate Bill 20 (SB 20) to TEC §51.9337, Purchasing Authority Conditional; Required Standards, and to ensure compliance to the processes and requirements in TSTC's Contract Management Handbook (Handbook). SB 20 of the 84th Texas Legislature was signed by the Governor on June 4, 2015. Its purpose was to reform state agency contracting by clarifying accountability, increasing transparency, and ensuring a fair competitive contracting process.

Our testing included reviewing 3 contracts executed during fiscal year 2019 and verifying compliance to TEC §51.9337 as well as requirements stated in the Handbook and internal policies. We reviewed contracts to ensure contract approval agreed to the Board approved contract delegation of authority, contract review checklists were properly completed, bid solicitations were appropriate, and conflict of interest and contract trainings were taken. We also tested several other components of the Handbook.

We noted significant efforts were made in fiscal year 2019 to more fully comply with TEC §51.9337. Specifically, the Office of Contract Administration was formed to provide guidance and contract expertise. Additionally, management is moving forward with purchasing and implementing contract management software that will better control the workflow of contracts, enforce College and regulatory rules, and act as a central repository for related documents. The compliance exceptions identified in this audit are a direct result of not already having a tool like this in place.

During our review of the 3 contracts, we identified various lapses in required procedures. The most significant exception related to a contract that was not approved by the correct level of authority. The person who approved it had an authority up to \$500 thousand. The contract was \$540 thousand. There was nothing about that contract that suggested the exception was anything but an error. Despite the exceptions we cited, we feel the contract management process has significantly improved since our first audit in FY 2016. Management has made obvious efforts to improve training, ensure delegation of authority is followed, and internal controls, such as the contract checklist, are operating as intended. The contract management software previously discussed should significantly reduce errors like the ones identified in this audit.

Introduction

TEC §51.9337 requires that a contract review procedures/checklist be reviewed and approved by legal counsel, policies governing contracting authority be approved by the Board, and that an annual assessment by the chief internal auditor be performed to determine whether the institution has adopted the rules and policies required by this section. Additionally, Statewide Operating Standard (SOS) FA 1.16 Purchasing Authority

and FA 4.4 Contract Administration outlines the purchasing and contract requirements, referencing SB20 requirements and other required processes in the Handbook. The Handbook includes ethical standards and policies, solicitation guidelines, contract formation and administration, as well as required forms such as Conflict of Interest disclosure, Delegation of Authority, Contract Review Checklist and Purchasing Accountability and Risk Analysis Procedures.

Contracts \$1 million and more, including amendments, renewals and potential extensions, are required to be approved by the Board of Regents per the delegation of authority guidelines, and the Board must approve any amendment, extension or renewal of a contract with a value that exceeds 25 percent of the value of the original contract approved by them. This approval can be delegated to the Chancellor with specific authority granted by the Board. For contracts up to \$1 million, approval authority is executed by statewide leads up to the Chancellor depending on the type of contract and contract value. Prior to signing the contract, a contract review checklist is completed for contracts with a value of \$14,000 or more. The checklist identifies the contract administrator, contract terms and purpose, and additional review and approval from procurement, Office of Information Technology (if applicable), legal counsel, and the contract compliance manager.

The Office of Contract Administration consists of 2 contract managers, a project manager, a records administrator, and is overseen by the Senior Executive Director of Procurement. This office along with Procurement Services, Risk Management and the Office of General Counsel, collectively work to facilitate compliance.

Objectives

The primary purpose of this audit was to verify compliance to TEC §51.9337, internal policy, the Handbook, and the contract review checklist for 3 contracts executed in fiscal year 2019. Those contracts included the purchase of the Economic Development Corporation's interest in the University Center building at TSTC Harlingen for \$4,402,575.96, statewide call center services with Ed Financial for an estimated \$539,732, and statewide verification services with Ed Financial for an estimated \$250,000.

Scope & Methodology

The scope of our audit included 3 contracts each over \$200 thousand executed in fiscal year 2019. Our methodology consisted of verifying requirements stated in TEC §51.9337, SOS FA 1.16 Purchasing Authority and FA 4.4 Contract Administration were met in the execution and performance of these contracts. Training and conflict of interest disclosures of personnel involved in these contracts were also tested. The Handbook and contracting review checklist were included in our testing as were other documents specified in the guidance that we used as a basis for the audit.

General Observations

Management has established contracting procedures that include a Handbook, contract review checklist and a delegation of authority which details the types and amounts of contracts specific personnel may execute. The addition of the Office of Contract Administration has assisted in providing additional support for contract compliance, and considerable effort has been given to achieving a safe and compliant process which ensures all contracts demonstrate good stewardship of State resources. The pursuit of contract management software evidences the continued maturity of the processes, and the more focused intent to best manage contracts for compliance and improved stewardship.

Summary of Finding

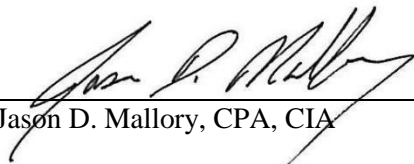
We identified requirement exceptions for 2 of the contracts we reviewed, with the most significant issue relating to the approval authority for one of the contracts.

Opinion

Based on the audit work performed, the College has developed processes to achieve compliance with TEC §51.9337, and has significantly improved its contract management over the last several years. Nevertheless, we identified compliance exceptions in our review of the 3 contracts we selected, indicating specific procedures need to remain a priority going forward so that full compliance can be achieved.

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

Submitted by:


 Jason D. Mallory, CPA, CIA

December 12, 2019

Date

AUDIT FINDING DETAIL

Finding #1: We identified requirement exceptions for 2 of the contracts we reviewed, with the most significant issue relating to the approval authority for one of the contracts.

Criterion: From all contracts over \$200,000 that were executed in fiscal year 2019, we selected one executed with the Development Corporation of Harlingen valued at \$4,402,576, and two executed with Ed Financial for call center and verification services for \$539,732 and \$250,000, respectively, to review for compliance. For each contract, we verified the appropriate authority executed the contract based upon the Board approved delegation of authority matrix, each purchase was properly bid, risk analysis/enhanced monitoring procedures were performed, contract and conflict of interest (COI) training was taken by individuals involved in the procurement process, and each contract was posted to the College's website. We also verified select documentation were properly completed, to include conflict of interest disclosures, vendor verifications, contract review checklists, certificates of interested parties, and procurement justification forms.

Most of the requirement were met, but we found the following deficiencies:

- The Ed Financial contract for statewide call center services having an estimated total value of \$539,732 was not approved by the appropriate level of authority. The person who executed the contract had a limit of \$500 thousand. Because there was no unusual risk with this type contract, the exception appears to be an error rather than an intent to circumvent the controls or hide something.
- For the transaction with the Development Corporation of Harlingen, some compliance related documents were either signed after the contract was executed, or not signed by some parties involved in the transaction. We interpret the required documents to be part of a chronological workflow leading up to the execution of the contract. We feel the workflow is part of the control process for ensuring everything is appropriate before the contract is executed. There was nothing inappropriate about this transaction or contract.

Consequences: Failure to comply with all the requirements increase the risk of inappropriate contracting actions. Contract compliance has been a primary focus of the legislature in recent years, with severe non-compliance leading to the potential suspension of appropriated funding for purchasing.

Possible Solution: We recommend that all compliance requirements from TEC §51.9337, internal policies, and the Handbook be performed as required; specifically, approvals always be consistent with the Delegation of Authority and be made timely, required forms be submitted timely, and that training occur as required for all persons involved in the contracting process.

Management Response

The Procurement/Office of Contract Administration *agrees* with the observations made in the audit regarding **non-compliance to certain SB20 and Handbook requirements**. Additionally, the department appreciates the review and recommendations provided through this audit. As a new division, with new process and new people, the practice has been informative to the development of the division. This audit finding identified inconsistencies with contract management and execution of required forms and/or related processes. With respect to the Development Corporation of Harlingen contract, Management concurs that the detective controls activated through the compliance documentation were not completed timely even though appropriate actions and approvals verified by such steps were indeed executed. Management has, and will continue to, develop the speed and thoroughness of the contract administration workflow. Effective immediately, the Office of Contract Administration (OCA) will ensure the appropriate signatures are obtained based on the Delegation of Authority of TSTC.

Senior Executive Director of Procurement & Travel Services and Executive Director of Contracts Administration will be responsible for implementation of this corrective plan.

Internal Audit Department

Audit Report

Internal Network Penetration Test Audit (20-011A)
TEXAS STATE TECHNICAL COLLEGE
Harlingen Campus

December 13, 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

Between October 9, 2019 and November 15, 2019, we performed vulnerability scans and penetration testing of the College's internal network on the Harlingen Campus.

The primary objective of this project was to ensure sensitive information stored and processed by primary systems, and systems directly supporting the confidentiality, integrity, and accessibility of those systems, have controls in place to detect and prevent attacks from unauthorized individuals on the campuses. Physical and logical security controls, to include the actions and habits of personnel, were targeted in this project. We specifically focused on likely attack vectors that could be exploited by bad actors to gain unauthorized access to sensitive information and information technology assets.

The scope of the penetration test included the physical and logical securities of core network equipment and servers located on the Harlingen Campus. We approached the tests from the perspective of an unauthorized individual with limited knowledge of available assets and controls. To gain an understanding, we relied upon information available to the general public by performing internet searches and physically observing facilities to identify potential weaknesses. We tested end user training effectiveness (known as phishing) by calling and sending emails to select individuals requesting sensitive information that would never legitimately be sought. We attempted to access areas that should be restricted to identify sensitive information or assets that could be pilfered. We attempted to gain access to privileged systems and information by scanning the network to identify control flaws, testing wireless access points, and searching for available ports that we could plug in to. Finally, we accessed computers available to the public to determine whether we could gain access to sensitive information. Both manual and automated testing methods were used to detect and/or exploit vulnerabilities. Industry standards noted in the Scope & Methodology section of this report served as our basis.

We determined that employees of the Harlingen campus displayed an awareness when students/persons entered common and restricted areas. Employees on campus generally stopped us and asked if we needed assistance when they noticed us wandering the buildings. Employees did not expose sensitive information on documents by disposing of them in recycle/trash bins or leaving them in public view. Computer desktops and offices were inaccessible. Wireless networks were appropriately segregated, and protected by secured logon protocols and encryption. We were unable to access any restricted information on the network. Furthermore, usable wireless access was only available from inside the buildings. Open data ports were not accessible to students/staff. Finally, IT related closets were restricted by locks that required either a pin code, a physical key and/or badge swipe. Our badges were not able to open these doors.

Nevertheless, we identified a training opportunity. We were able to obtain several user credentials through our phishing and social engineering attempts. Two of the people who provided their credentials also provided them in a similar test we conducted in 2017.

Introduction

The Office of Information Technology (OIT) Division, overseen by the Vice Chancellor/Chief Student Services Officer, consists of 2 departments – the IT Support Operations Department with a staff of 45, the Department of Infrastructure Operations with a staff of 22. OIT assists the College with its operational needs by maintaining secure IT networks, providing end-user support and training, assisting with IT purchases, and maintaining critical databases and offering critical application support.

For the Harlingen campus the Office of Information Technology (OIT) department consist of 18 members, 9 whom support the IT Operations side and 9 who support the Department of Infrastructure. In FY 2015, an external test was performed which simulated attacks from off-campus sites through the internet by a consultant. These test on-campus attacks by exploiting risks identified through first hand observations and research through resources available to anyone.

To ensure the integrity of our results, we only notified the Provost. The specifics and timing of our tests were not disclosed to anyone in an attempt to make this test as realistic as possible to achieve reliable results.

This test verified not only physical and logical controls related to safety and security and IT security, it also validated human behavior in certain regards.

Objectives

The objectives of the internal network penetration test were to:

- Ensure primary systems, and systems directly supporting the confidentiality, integrity, and accessibility of primary systems have the controls in place to detect and prevent attacks.
- Ensure unauthorized individuals on campus are unable to access privileged systems or sensitive data.
- Verify the effectiveness of end-user training on threats related to information security.
- Allow the College to gain insight into real-world attack vectors that may have not been previously considered or tested.

This test was not intended to verify all risks the campuses face during an attack. We focused on likely scenarios based upon the information we gathered during our testing.

Scope & Methodology

The scope of the penetration test included the physical and logical securities of core network equipment, access network equipment, and servers located on the Harlingen Campus. It also included employee awareness and vigilance against potential related attacks that compromise IT systems and sensitive data. The following industry standards served as our methodology:

- IS Benchmarks - Baseline Configurations for Secure Operating System and Application Deployment
- NIST Configuration Baselines - Baseline Configurations for Secure Operating System and Application Deployment
- NIST 800-53 - Security and Privacy Controls for Federal Information Systems and Organizations
- NIST 800-115 - Technical Guide to Information Security Testing and Assessment

General Observations

Most employees demonstrated an awareness with regard to who was visiting certain areas of buildings/common areas and were vigilant in protecting sensitive information. Wired and wireless networks were segregated between privileged and guest accounts, with services being appropriate on each. Wireless access points were unlikely to emit signals that could be used by bad actors outside of the physical perimeters of the originating building. Access to closets containing networking equipment were kept locked during and after business hours. Access to faculty offices were kept restricted from unauthorized users by locking doors. Access to some computer lab desktops were restricted by Active Directory Naming Services, which requires users to have a username and password. Other open computer labs had locks affixed to the desktop pc, and lab sign in sheets.

Summary of Findings


Eight people provided user IDs and logons as a result of our phishing emails and social engineering telephone calls. Two of those people also provided their credentials in a similar test in 2017.

Opinion

Based on the audit work performed, IT assets and information are well protected on the Harlingen Campus. But, the 8 people who provided their user IDs and logons compromised the effectiveness of all the other controls that were operating. The names of those individuals were provided to management to counsel and/or discipline.

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

Submitted by:


 Jason D. Mallory, CPA, CIA

December 13, 2019
 Date

AUDIT FINDING DETAIL

Finding #1: Eight people provided user IDs and logons as a result of our phishing emails and social engineering telephone calls. Two of those people also provided their credentials in a similar test in 2017.

Criterion: Posing as a student, we walked through various areas on the campus during and after business hours. We attempted to access buildings and rooms that contained both IT equipment and potentially sensitive information (electronic and hard forms). We took note whether people or other obstacles prevented access. We also made phishing telephone calls and sent emails to employees in an attempt to learn logon IDs and passwords to the Portal and Colleague. And we scanned the network searching for vulnerabilities that could potentially be exploited. Finally, we attempted to access areas on the network via wireless access.

Eight users provided credentials to the Colleague application during our social engineering phone call attempts. This system allows access to sensitive information. We intentionally targeted some of the users from our last test. Unfortunately, 2 of those users were among the 8 who provided us their credentials. These users were counseled during the last test, and warned that they would be tested again in the future.

Consequences: Exposure of sensitive student and employee information.

Possible Solution: We recommend all campus employees be informed of our project results, and everyone be reminded of their responsibilities to protect sensitive information and IT assets. We further recommend that the 8 individuals that actually provided their credentials be specifically counseled. For the 2 users who were compromised for a second time, we recommend management consider disciplinary action, to include suspending all IT privileges and/or termination.

Management Response

The Office of the Provost (Harlingen) agrees with the observations made in the penetration test. The eight employees who provided their usernames and passwords was the result of a well prepared & successful social engineering phase of the audit with intentions of identifying vulnerabilities. This successful penetration test has helped us identify a campus wide training need. Before this audit, the Provost Office has randomly informed the campus community of the importance of never disclosing user IDs and passwords to anyone, but more extensive training needs to be conducted. The six individuals who were compromised for the first time will be counseled to ensure they are aware of the breach and the part they played in preventing network penetrations from unauthorized individuals on the campus. In addition, the two individuals that were compromised for a second time will be properly advised and be part of Performance Improvement Plan. While these audit procedures are effective training tools in elevating employee awareness, we will also implement an annual training that is provided to continue to remind

employees of risks, and the role each employee plays in reducing unauthorized network infiltrations. The Office of the Provost will be responsible for implementation of this corrective action plan.



To: Audit Committee
 From: Jason D. Mallory, Audit Director
 Subject: TAC 202 Compliance – Quarterly Update
 Date: January 9, 2020

The purpose of this memo is to provide you the current implementation statuses of IT controls required by TAC 202 tested in numerous internal conducted since 2017. Each quarter we test select controls which were previously found to be not implemented. Annually, the list of systems will increase as we continue to audit. From October 1 through December 31, 2019, 4 more required controls were implemented.

RESULTS

General Controls

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 1}	Total
Oct 2019 – Dec 2019	53	19	12	2	86
July 2019 – Sept 2019	52	19	13	2	86
Change	+1	0	-1	0	

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.

Colleague

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	33	11	5	0	49
July 2019 – Sept 2019	33	11	5	0	49
Change	0	0	0	0	

Perceptive Content

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	23	13	13	0	49
July 2019 – Sept 2019	22	13	14	0	49
Difference	+1	0	-1	0	

Maxient

Original Audit: February 25, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	29	2	18	0	49
July 2019 – Sept 2019	28	2	19	0	49
Difference	+1	0	-1	0	

Google Suite

Original Audit: December 10, 2018

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	33	5	11	0	49
July 2019 – Sept 2019	33	5	11	0	49
Difference	0	0	0	0	

Target X

Original Audit: September 30, 2019

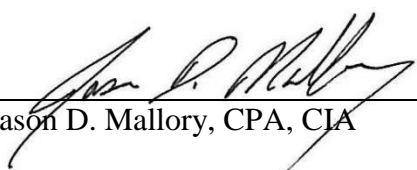
Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	23	0	26	0	49
July 2019 – Sept 2019	23	0	26	0	49
Difference	0	0	0	0	

Informatica Server

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Oct 2019 – Dec 2019	36	0	13	0	49
July 2019 – Sept 2019	35	0	14	0	49
Difference	+1	0	-1	0	

Submitted by:



Jason D. Mallory, CPA, CIA

January 9, 2020

Date

cc: Mike Reeser, Chancellor/CEO
 Ricardo Herrera, VC/CSSO
 Shelly Scherwitz, Executive Vice President/OIT



United States Department of Defense

Office of the Under Secretary of Defense Personnel & Readiness

Voluntary Education Institutional Compliance Program 2019

Corrected Feedback Report

Please disregard the Feedback Report from September 6, 2019

Texas State Technical College

The estimated cost of this report or study for the Department of Defense is approximately \$228,000 in Fiscal Years 2018 - 2021. This includes \$224,000 in expenses and \$3,620 in DoD labor.

Generated on 2019Jan15 RefID: 4-E7709E5

October 2, 2019



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Voluntary Education Institutional Compliance Program 2019

Overview

The Department of Defense (DoD) Voluntary Education (VolEd) program vision is to shape quality educational experiences that result in meaningful value for Service members, the military services, and society, see Figure 1.

Consistent with that vision, VolEd developed the Institutional Compliance Program (ICP), using best practices from across industry and government to ensure a rigorous, transparent assessment of educational institutions, focusing on compliance with the tenets of the DoD VolEd Partnership Memorandum of Understanding (MOU).



Figure 1 – VolEd Mission and Vision

Highlights

Throughout the assessments, the compliance team observed nearly 2,000 non-compliant findings through the application of two data collection instruments, and discerned a number of trends among all the institutions being examined. Those trends include:

- **Lack of updated information:** Over 2/3 of all institutions have not updated their contact information, tuition information, or both on the MOU application at dodmou.com. This crucial information ensures Service members have the ability to make fully informed choices regarding their education. So it is in the institutions’ best interest to keep information current, in addition to being a requirement of the MOU.
- **Lack of supportable evidence:** Multiple institutions were unable to demonstrate that necessary controls were in place to ensure compliance with DoD requirements. Specifically, many institutions struggled to show the training received and/or qualifications obtained by points of contact such as financial aid counselors and veterans’ educational advisors. We also observed policies that did not align with web content and vice versa.



Voluntary Education Institutional Compliance Program 2019

- **Incomplete information on financial matters:** Evidence of a clear timeline for financial aid was incomplete to educate students further on the financial aid process.
- **Lack of evidence in policy:** Evidence was not provided relating to the policy regarding the Tuition Assistance (TA) refund policy and not conducting multiple unsolicited contacts of service members for the purpose of securing enrollments.

Institutions Demographics

The ICP provided the DoD VolEd Office with the opportunity to select a very diverse group of institutions. The demographic makeup of the 250 institutions in the 2019 ICP very closely matched that of the overall population from which it was selected.

Figure 2 shows the demographic distribution for total population of DoD MOU signatories, along with the breakout of the 250 institutions selected for assessments. The close match in percentages indicates a lack of bias in the selection process.

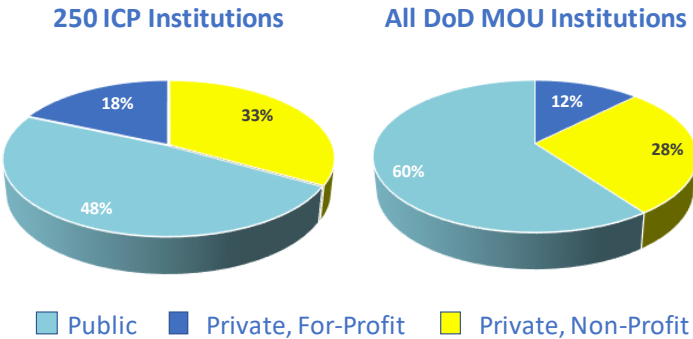


Figure 2 – Institution Demographics

Methodology

This report is intended to provide each institution with specific feedback on the results of the DoD VolEd compliance assessment, along with general findings from across the population of 250 institutions under consideration.

Institutions were selected as part of the assessment in one of two ways:

Risk Factor	Random Selection
50 institutions were selected through the application of pre-selected risk factors. The 50 relatively highest scores were selected for ICP.	200 institutions were selected at random from the remaining population of institutions with an active Memorandum of Understanding (MOU) with the DoD.

This report will provide feedback in four main sections:

1. **Recruiting, Marketing, and Advertising:** The TA Program is designed to provide opportunities for Service members to realize their educational goals while maintaining judicious use of taxpayer dollars. In doing so, the practices that educational institutions use to attract prospective Service members must adhere to specific legal and ethical guidelines established in the MOU.



Voluntary Education Institutional Compliance Program 2019

- 2. Financial Matters:** Financial matters pertain to the cost of attendance, pre- and post-enrollment tools and processes, and the ease with which prospective Service members can access information. MOU compliance requires that Service members have easy access to clear, accurate, and accessible information regarding financial aid options. This includes access to trained counseling staff who can provide accurate and up-to-date information regarding the institutional cost, breakdown, and recommendations regarding individual financial choices.
- 3. Accreditation:** All institutions must be accredited by a national or regional accrediting body recognized by the Department of Education (ED) and conduct programs only from among those authorized by the institution's main administrative and academic office in accordance with standard procedures for authorization of degree programs established by the institution. An institution must keep this information up-to-date and easily accessible to the general public.
- 4. Post-Graduate Opportunities:** Institutions should make information readily available to prospective and current Service members and designed to aid them in their post-academic life. This information should include the unchanging degree plans and requirements needed to complete an academic program, guidance on professional opportunities available upon completion of a degree/program, and processes regarding readmission policies for Service members fulfilling military obligations while attending the institution.

Each section below will provide an overview of the specific MOU elements the ICP assessed, along with specific findings for your institution, if any. Furthermore, you are provided recommendations on how to address these findings to improve your level of compliance with the DoD MOU.



Voluntary Education Institutional Compliance Program 2019

Findings & Recommendations

Recruiting, Marketing, & Advertising

Per DoD MOU paragraph 4.h.(3), “Educational institutions will provide, where available, electronic access to their main administrative and academic center’s library materials, professional services, relevant periodicals, books, and other academic reference and research resources in print or online format that are appropriate or necessary to support the courses offered. Additionally, educational institutions will ensure adequate print and non-print media resources to support all courses being offered, are available at base or installation library facilities, on-site Institution resource areas, or via electronic transmission.”

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 3.j.(2), institutions are required to, “Refrain from providing any commission, bonus, or other incentive payment based directly or indirectly on securing enrollments or federal financial aid (including Tuition Assistance funds) to any persons or entities engaged in any student recruiting, admission activities, or making decisions regarding the award of student financial assistance.”

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 3.j.(3) institutions are required to, "Refrain from high-pressure recruitment tactics such as making multiple unsolicited contacts (3 or more), including contacts by phone, email, or in-person, and engaging in same-day recruitment and registration for the purpose of securing Service member enrollments.”

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 3.g, institutions are required to, “Designate a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.”

Finding: Minor issues relating to designating a point of contact or office for training and qualifications of any points of contact for Service members seeking information on the TA program, Title IV funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.

Recommendation: The institution needs to provide evidence of the training and qualifications of any points of contact for Service members seeking information on the TA program, Title IV



Voluntary Education Institutional Compliance Program 2019

funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.

Per DoD MOU paragraph 4.e.(2), “DoD personnel are entitled to consideration for all forms of financial aid that educational institutions make available to students at their home campus. Educational institution financial aid officers will provide information and application processes for Title IV student aid programs, scholarships, fellowships, grants, loans, etc., to DoD Tuition Assistance (TA) recipients... [And that] Service members identified as eligible DoD TA recipients... will have their TA benefits applied to their educational institution’s account prior to the application of their Pell Grant funds to their account.”

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 4.d.(1), “If an eligible Service member decides to use Tuition Assistance (TA), educational institutions will enroll him or her only after the TA is approved by the individual’s Service.”

Finding: None.

Recommendation: None.

Financial Matters

Per DoD MOU paragraph 3.h.(1) and (4), “Before offering, recommending, arranging, signing-up, dispersing, or enrolling Service members for private student loans, provide Service members access to an institutional financial aid advisor who will make available appropriate loan counseling, including... Providing a clear and complete explanation of available financial aid, including Title IV of the Higher Education Act of 1965, as amended... [And] explaining that students have the ability to refuse all or borrow less than the maximum student loan amount allowed.”

Finding: Minor issues relating to designating a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.

Recommendation: The institution needs to provide evidence of the training and qualifications of any financial aid advisors who interact with Service members prior to offering, recommending, arranging, signing-up, dispersing, or enrolling in Federal or private student loan programs.

Finding: A lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid.

Recommendation: The public facing website should include a detailed explanation of the financial aid application process, including a timeline for applying.



Voluntary Education Institutional Compliance Program 2019

Per DoD MOU paragraph 3.h.(3), “Before offering, recommending, arranging, signing-up, dispersing, or enrolling Service members for private student loans, provide Service members access to an institutional financial aid advisor who will make available appropriate loan counseling, including... Disclosing the educational institution’s student loan Cohort Default Rate (CDR), the percentage of its students who borrow, and how its CDR compares to the national average. If the educational institution’s CDR is greater than the national average CDR, it must disclose that information and provide the student with loan repayment data.”

Finding: None.

Recommendation: None.

DoDI 1322.25 paragraph 3.d.(1)(a) requires institutions to, “Provide meaningful information to students on the financial cost of attendance at an educational institution so military students can make informed decisions on where to attend school,” and DoD MOU paragraph 3.n.(5) requires that institutions, “Disclose basic information about the educational institution’s programs and costs, including tuition and other charges to the Service member. This information will be made readily accessible without requiring the Service member to disclose any personal or contact information.”

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 4.(a), “All Service members attending the same educational institution, at the same location, enrolled in the same course, will be charged the same tuition rate without regard to their Service component. This single tuition rate includes active duty Service members and the National Guard and Reservists who are activated under Title 10 and using Title 10 Military Tuition Assistance, in order to assure that tuition rate distinctions are not made based on the Service members’ branches of Service.” If the institution has provided different tuition/fees in different places, it is impossible to know if all Service members are being charged the same tuition rate.

Finding: The tuition listed on the website does not match the tuition information in the DoD MOU.

Recommendation: The institution should continually update its information on the MOU application via dodmou.com to ensure it matches the tuition listed on the website.

20 U.S.C. 1015a (h)(1) requires that educational institutions provide a calculator on their websites, “to help current and prospective students, families, and other consumers estimate the individual net price of an institution of higher education for a student. The calculator shall be developed in a manner that enables current and prospective students, families, and consumers to determine an estimate of a current or prospective student’s individual net price at a particular institution.”

Finding: None.

Recommendation: None.



Voluntary Education Institutional Compliance Program 2019

Per DoD MOU paragraph 4.f.(2)(d) institutions are required to, "Have an institutional policy that returns any unearned TA funds on a proportional basis through at least the 60 percent portion of the period for which the funds were provided. TA funds are earned proportionally during an enrollment period, with unearned funds returned based upon when a student stops attending. In instances when a Service member stops attending due to a military service obligation, the educational institution will work with the affected Service member to identify solutions that will not result in a student debt for the returned portion."

Finding: The institution certified that it does not meet the requirement.

Recommendation: The institution must develop or modify its return policy for TA funds such that it aligns with the return of unearned student aid rules applicable to Federal student aid as required by section 484B of the Department of Education Title IV of the Higher Education Act of 1965.

Accreditation

Per DoD MOU paragraph 3.b and 3.l, institutions must, "Be accredited by a national or regional accrediting agency recognized by ED... [and] obtain the approval of their accrediting agency for any new course or program offering, provided such approval is required under the substantive change requirements of the accrediting agency... before the enrollment of a Service member into the new course or program offering."

Finding: None.

Recommendation: None.

Post Graduate Opportunities

Per DoD MOU paragraph 4.c.(1), institutions must, "Disclose general degree requirements for the Service member's educational program (evaluated educational plan) to the member and his or her Service before the enrollment of the Service member at the educational institution."

Finding: None.

Recommendation: None.

Per DoD MOU paragraph 3.n.(1), an institution must, "Disclose its transfer credit policies and articulated credit transfer agreements before a Service member's enrollment. Disclosure will explain acceptance of credits in transfer is determined by the educational institution to which the student wishes to transfer and refrain from making unsubstantiated representations to students about acceptance of credits in transfer by another institution."

Finding: None.

Recommendation: None.



Voluntary Education Institutional Compliance Program 2019

Per DoD MOU paragraph 3.i.(1), institutions must have a readmission policy for Service members that, “Allows Service members and reservists to be readmitted to a program if they are temporarily unable to attend class or have to suspend their studies due to service requirements.”

Finding: None.

Recommendation: None.

34 CFR section 668 Subpart Q, requires postsecondary institutions that participate in the student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended, to disclose to prospective students certain information about the institution’s Gainful Employment Programs.

Finding: None.

Recommendation: None.



Voluntary Education Institutional Compliance Program 2019

Summary

Finding Number	Consolidated Findings
Recruiting Marketing, & Advertising	
Finding # 1 of 5	Minor issues relating to designating a point of contact or office for training and qualifications of any points of contact for Service members seeking information on the TA program, Title IV funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.
Financial Matters	
Finding # 2 of 5	Minor issues relating to designating a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.
Finding # 3 of 5	A lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid.
Finding # 4 of 5	The tuition listed on the website does not match the tuition information in the DoD MOU.
Finding # 5 of 5	The institution certified that it does not meet the requirement.
Accreditation	
No Findings for Accreditation.	
Post Graduate Opportunities	
No Findings for Post Graduate Opportunities.	



Voluntary Education Institutional Compliance Program 2019

ENCLOSURE 1 – CORRECTIVE ACTION PLAN INSTRUCTIONS

A critical piece of any compliance assessment process is to provide participants the ability to affect positive change within their organization by utilizing the findings and recommendations of compliance evaluations to develop a Corrective Action Plan (CAP) that will lead to improved performance. A CAP is a focused document that defines the specific actions and timelines for correcting shortfalls. The CAP should act as a key communications mechanism between the participant and the compliance assessment organization, creating a shared level of understanding of what needs to be done, and the timeframe in which it should be performed, in order to improve the participant's level of compliance in a timely manner.

For the Voluntary Education Institutional Compliance Program, all participating educational institutions who were part of the assessment cycle are required to provide corrective actions for each finding and recommendation contained in their individual report. To facilitate execution of this segment of the compliance program, the DoD VolEd Office requests each participant follow the following processes:

1. Upon receipt of the enclosed report, institutional representatives should provide confirmation of receipt via email to the VolEd Compliance Inbox at osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil.
2. By November 15, 2019, institutions should develop distinct corrective action(s) for each of the findings in the enclosed individual report by completing and submitting the template below.
3. Institutions should provide a short list of 1-5 actions they will take to address each finding, and the expected timelines for completing each of the actions. An institution may choose to follow the associated recommendation included in the report, or may develop an alternative approach to addressing each finding. Corrective actions should be detailed enough to provide a sufficient description of the methods and means the institution will use to address the finding. It is not the intent of the DoD VolEd Office for these plans to become a large, administrative burden on the participants.
4. Institutions should provide evidence of completion for each corrective action by April 15, 2020. Examples of the corrective action include updated websites, policies, tuition rates, etc. The evidence can be submitted in the form of an attachment or hyperlink.
5. The below template should be saved as a Microsoft Word document and should be named using the following convention: Institution, OPEID # -ICP19. For example, the CAP for the ABC University with OPEID of 01234567 would be ABC 01234567-ICP19.docx.
6. If the institution feels that their remediation efforts will not completely address the findings by April 15, 2020, they should plan on providing progress updates to the DoD VolEd Office every 90 days, until complete.



Voluntary Education Institutional Compliance Program 2019

The DoD VolEd Office will record and maintain records of all CAPs, monitor the milestones and progress toward meeting the CAP objectives, and provide verification when the CAP is considered to be completed. If, upon submitting your CAP or evidence, you do not receive a confirmation communication from the VolEd Office, this implies that we have not received your information.



Voluntary Education Institutional Compliance Program 2019

CORRECTIVE ACTION PLAN TEMPLATE

Institution Name: Texas State Technical College

OPEID: 00363400

Institution POC:

Email:

Phone:

**If evidence is available, include
hyperlink or attachment*

Finding Number	Finding	Corrective Action(s)	Target Completion Date*
1	Minor issues relating to designating a point of contact or office for training and qualifications of any points of contact for Service members seeking information on the TA program, Title IV funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.	Please see Corrective Action Attached	10/22/2019
2	Minor issues relating to designating a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.	Please see Corrective Action Attached	10/22/2019
3	A lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid.	Please see Corrective Action Attached	10/18/2019
4	The tuition listed on the website does not match the tuition information in the DoD MOU.	Please see Corrective Action Attached	09/15/2019
5	The institution certified that it does not meet the requirement.	Please see Corrective Action Attached	April 15, 2020



Voluntary Education Institutional Compliance Program 2019

Conclusion

Please review any of the policies, findings and recommendations from the report above. DoD requires your institution to file a Corrective Action Plan with distinct corrective actions as found in Enclosure 1, using the enclosed template, for each finding listed on the “Summary” page. Each corrective action submitted by your institution will be logged, adjudicated, and tracked for resolution. If additional clarification is needed, please review the MOU or relevant policy.

Continue to keep contact information current so that we have the appropriate point of contact. Review your MOU application data periodically in order to ensure that information remains up-to-date for general school information, accreditation, federal student aid information, programs and offerings, and cost of attendance.

There are a wide variety of resources available to assist you with MOU compliance. This includes:

- Compliance Email: osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil
- Compliance Hotline: (703) 614-7584 Option 1
- DoD MOU Website: <https://www.dodmou.com/>
 - Institution Guide
 - DoD VolEd Introduction Video
 - MOU Tutorial

Corrective Action Plan Template

Institution Name: Texas State Technical College

Institution POC: Steve Guevara

Email: steve.guevara@tstc.edu

Phone: (956) 364-4385

Finding Number	Finding	Corrective Action(s)	Target Completion Date*
1	Minor issues relating to designating a point of contact or office for training and qualifications of any points of contact for Servicemembers seeking information on the TA program, Title IV funding, or VA education benefits and familiar with institutional services to Service members who are seeking information about academic counseling, financial aid counseling, job search support, or other student support services at the educational institution.	<p>Texas State Technical College agrees that minor issues existed at the time of the review that related to designating a point of contact for training and qualifications for Servicemembers seeking information on Tuition Assistance (TA), Title IV funding, and VA educational benefits. To correct the issue, a job description for Veteran Program Officers has been attached. A Veterans Program Officer maintains TA, Title IV funding, and VA Education Benefits by attending internal and external training and participating in webinars. This was immediately corrected.</p> <p>Please review the attached job description:</p> <p>Finding Number 1 – Veterans Program Officer – Job Description.pdf</p>	10/22/2019

2	Minor issues relating to designating a point of contact or office for academic and financial advising, including access to disability counseling, to assist Service members with completion of studies and with job search activities.	<p>Texas State Technical College agrees that minor issues existed at the time of the review that related to designating a point of contact for academic and financial advising, including access to disability counseling, and to assist service members with completion of studies and with job search activities. To correct this issue, a job description for Enrollment Coach, Disability Services, Support Services, Career Services, and Counselor has been attached. The point of contact for each position is required to maintain knowledge by attending internal and external training and participating in webinars. This was immediately corrected.</p> <p>Please review the attached job description named: Finding Number 2 – Career Services Associate - Job Description.pdf</p> <p>Finding Number 2 – Counselor – Job Description.pdf</p> <p>Finding Number 2 – Enrollment Coach – Job description.pdf</p> <p>Finding Number 2 – Disability Services – Job Description.pdf</p> <p>Finding Number 2 – Support Services – Job Description.pdf</p>	10/22/2019
3	A lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid.	<p>Texas State Technical College agrees that a lack of information relating to the financial aid process, including the lack of a timeline for applying for financial aid was not submitted with our self-assessment. To correct the issue, we are sharing the link to this information. Please visit https://www.tstc.edu/financialaid/applyingforaid to confirm that this corrective action is acceptable. This finding was immediately corrected.</p>	10/18/2019

4	The tuition listed on the website does not match the tuition information in the DoD MOU.	<p>Texas State Technical College agrees with the finding. The tuition listed on the website did not match the tuition information in the DoD MOU at the time of the self-assessment. To correct this issue, we have updated the tuition using the DoD MOU website. The finding was immediately corrected.</p> <p>Please see the attached document to confirm the correct tuition was reported in the DoD MOU.</p> <p>Finding Number 4 – Tuition.pdf</p>	09/15/2019
5	The institution certified that it does not meet the requirement.	<p>Texas State Technical College agrees with the finding. A return of unused Tuition Assistance has not been published. To correct this issue, we are in the process of submitting the policy for approval by our board. We expect to correct this issue by April 15, 2020.</p> <p>Please see the attached recommended policy and examples.</p> <p>Finding Number 5 - Return of Unearned TA Funds Policy.pdf</p> <p>Finding Number 5 - Return of Unearned TA Funds Example.pdf</p>	04/15/2020



**Texas N-DEx Audit
Compliance Report**



Texas Data Exchange (TDEx) Program
5805 N Lamar Blvd (MSC 0233)
PO Box 4143
Austin, TX 78765-4143

Final Audit Notes

Final Review Notes:

The Texas N-DEx audit found no instances where the agency was outside of compliance with N-DEx policy based on the responses to the policy questionnaire and search sample explanations provided by the Agency Administrator.

The audit is scored 100 out of 100 possible points, and the Texas N-DEx audit finds the agency to be compliant.

Any questions about the N-DEx audit findings may be forwarded to the auditor at (512)424-2285 or tdex@dps.texas.gov.

Thank you for your cooperation in helping the Texas DPS meet the triennial FBI N-DEx audit requirement.

Report Summary:

The Texas Department of Public Safety is mandated by the FBI to triennially audit all agencies with N-DEx access to ensure compliance with applicable regulations and policies.



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 reports were made.				

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.