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
and
Teleconference
Dial In: 415-655-0003
Access Code: 120 835 5544

Thursday, November 12, 2020

10:00 a.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-4
          Jason D. Mallory

      2. Status of Fiscal Year 2021 Audit Schedule & Other Projects...........................A-8
          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.

V.   **CHANCELLOR COMMENTS**

VI.   **BOARD COMMENTS**

VII.   **ADJOURN**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
INTERNAL AUDITS						
Public Funds Investment Act Compliance Audit	Finance	Complete	20-004A	9/26/19	9/1/17	Required
Internal Network Penetration Test (EWCHEC)	OIT/Safety & Security/Provost Office	Complete	20-002A	9/27/19	-	Risk Based
C4EO Audit - 2019 Audit	C4EO	Complete	19-032A	11/15/19	-	Risk Based
Benefits Proportionality Audit	Payroll	Complete	20-001A	12/6/19	2/9/18	Required
Contract Audit - 2019 Audit	Finance	Complete	19-031A	12/12/19	10/2/18	Required
Internal Network Penetration Test (Harlingen)	OIT, Harlingen Campus	Complete	20-011A	12/13/19	6/9/16	Risk Based
Internal Network Penetration Test	Waco Campus	Complete	20-016A	3/10/20	6/9/16	Risk Based
Clery Act Audit	Safety & Security	Complete	20-014A	4/8/20	1/2/12	Risk Based
Help Desk Audit	OIT	Complete	20-025A	6/19/20	1/7/09	Risk Based
Career Services Audit	Academic Division	Complete	20-013A	6/23/20	-	Risk Based
Contract Compliance Audit	Procurement	Complete	20-008.1	7/2/20	12/12/19	Required
TAC 202 Follow-up Audit	OIT	Complete	20-010A	10/7/2019, 1/9/20, 4/1/20, 7/3/20	Every quarter	Required
Airport Operations Audit	Waco Airport	Complete	20-008	7/10/20	2006 - prior auditor	Risk Based
Waco Bookstore Operational Audit	Auxiliary Businesses/Waco Campus	Complete	20-003A	8/25/20	6/30/08	Risk Based
Bookstore Point of Sale System - TAC 202 Audit	Auxiliary Businesses	Complete	20-026A	9/21/20	7/9/08	Risk Based
Field Support Audit	OIT	Complete	20-032A	9/30/20	-	Risk Based
Harlingen Bookstore Operational Audit	Auxiliary Businesses/Harlingen Campus	Complete	20-033A	10/7/20	7/2/08	Risk Based
~~Accounting Controls Audit~~	Removed on 8/20/20 through Minute Order 29-20c					

EXTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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	
USDA: NIFA Audit of UTRGV Subaward of 2015-38422-24061(03)	OSP/Harlingen	Complete			No report issued	
TWC Audit of Apprenticeship Training Program in Harlingen: This was an internal audit of TWC processes by their internal auditors.	OSP/Harlingen	Complete			No report issued	
TWC: Desk Review of Contract 2918PEB000	TWC	Complete			5/15/20	
VA Audit	VA Office	Complete			8/10/20	
Texas Comptroller: Duplicate Payment Audit	Procurement	Complete			9/8/20	
CJIS Security Audit by the DPS	Waco campus Police	Complete			10/8/20	
TWC: Monitoring review of SDF Contract # 2418SDF002	OSP/Harlingen	In Progress - Formulating audit responses	21-012A		9/10/20	
TWC: Monitoring review of SDF Contract # 2418SDF003	OSP/Harlingen	In Progress - Formulating audit responses	21-012A		9/10/20	

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Financial Processes Audit performed by the SAO	Finance	In Progress				
Recovery Audit by the State Comptroller	Finance	In Progress				

OTHER INTERNAL PROJECTS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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)	Complete	20-015I	1/17/20		
SAO Hotline: Former student at TSTI Amarillo alleged he is having to pay student loans that he never received in 1985. Results: Found no evidence to support allegation. Evidence indicated that his financial aid was suspended due to poor academic performance. And there was no indication that he had raised a concern before this complaint was filed, which is suspicious.	Financial Aid	Complete	20-021I	1/30/20		

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Employee Complaint: Allegation that a current pilot instructor used College assets for personal use. Results: Did not identify any intentional misuse, but identified opportunities for assets to be better controlled and safeguarded. The person was relieved of his management duties.	Instructional/Air Pilot Training	Complete	20-020I	3/2/20		
SAO Hotline: A student claimed she was fraudulently registered for classes in Fall 2010. She was upset that her transcript was being withheld, with outstanding charges being sent to collections. Results: Determined that the student never paid for the classes, yet was not de-registered. She had appealed in the past, but the appeals were denied because an instructor noted her as attending. Attempts were made to contact the student, but the student never returned calls. To not impede her education, the College has released holds on her transcript, and will not pursue further collection efforts.	Registrars Office - Harlingen Campus	Complete	20-022I	3/10/20		
Report on Maxient: Someone complained that donated funds were being misdirected, students were progressing inappropriately, and expired ingredients were being used in recipes. Results: Allegations had no merit, but determined fund raising activities and donations were not being directed through the Foundation as required by policy.	Instructional/Culinary Arts (Waco Campus)	Complete	20-024I	4/7/20		
SAO Hotline: Essentially, student complained that his lack of financial aid caused him to fail coursework Results: Determined that this was a customer service matter, and forwarded to the Registrar's Office to contact former student. Student has yet to respond. IA did determine that the financial aid was withheld pending verification of a parent W-2. Student evidently does not understand the requirement, after repeated attempts were made by financial aid staff to resolve the matter.	North Texas Campus	Complete	20-023I	No report issued. Complaint was referred to Registrar's Office for resolution.		
Report by Management: A vendor payment was sent to the wrong bank account based upon fraudulent wiring instructions sent by a bad actor through a scheme referred to as "Man in the Middle." Results - Determined the control that were in place were circumvented by the clerk who processed the payment. Clerk was terminated, and the matter turned over to the Secret Service for investigation.	Accounts Payable	Complete	20-030I	6/15/20		

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
SAO Hotline: Employee complained that her supervisor is forcing her work more hours than she is being compensated for. Results: This was referred to HR for investigation and resolution. Results - HR reached out to various staff in recruiting to validate and monitor the situation. The were unable to corroborate the claim..	Recruiting	Complete	20-028I	No report issued. Complaint was referred to HR for resolution.		
Internal Hotline: Allegation of a student using financial aid refund to purchase alcohol. Results: Referred the complaint to Financial Aid & student services. It is impossible to determine how the student utilizes her refunds. Student resource group reached out to the named student, though, as a welfare check and offer assistance if it was needed.	Harlingen Campus	Complete	20-031I	No report issued. Complaint was referred to Student Services for resolution.		
SAO Hotline: On 7/3/20, we received an anonymous complaint that an employee was using College resources in his personal business. Results - We found evidence of personal files, but numerous interviews indicated the files are used in the drafting program. There was evidence, though, of personal use of the computer.	Harlingen Campus	Complete	20-034I	8/12/20		
Assisted management with identifying location, physical state, and access to, all rooms and closets on every campus where IT network assets are located. The purpose of our involvement was to give them an independent assessment of the access and safety issues that may be present so that they can make informed decisions on what to better control. A formal report was not issued, but an asessment document was presented to them.	OIT/Safety	In Progress - Continued into 2021	20-007P			
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 - Continued into 2021				
Consulting: Serving on Waco Task Force for demolishing numerous building. Role is limited identifying potential risks and suggesting ways to mitigate those risks.	Facilities/Finance	In Progress - Continued into 2021				

Glossary	
CJIS	Criminal Justice Information System
COI	Conflict of Interest
DOD	Department of Defense
DPS	Department of Public Safety
EWCHEC	East Williamson County Higher Education Center
HR	Human Resources
IA	Internal Audit
NIFA	National Institute of Food and Agriculture
OIT	Office of Information Technology
SAO	State Auditor's Office
SDF	Skills Development Grant
TAC	Texas Administrative Code
TWC	Texas Workforce Commission
USDA	US Department of Agriculture
UTRGV	University of Texas Rio Grand Valley
VA	Veteran's Administration

INTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Safety Audit - All Campuses	Safety & Security	In Progress			6/11/18	Required every 3 years
Internal & External Quality Assessment Review	Internal Audit	In Progress			8/30/18	Required every 3 years
Internal Network Penetration Test	Marshall Campus	In Progress			6/7/18	Risk Based
Student Club Accounts Audit		In Progress			-	Risk Based
Social Media Audit	Marketing	In Progress			-	Risk Based
TAC 202 Follow-up Audit	OIT	In Progress	21-009A	10/7/20	7/3/20	Required Bi-annually
TEC 51.9337 (Contracting) Audit	Procurement				7/2/20	Required Annually
Administrative & Faculty Qualifications Audit	Instructional & HR				-	Risk Based
Internal Network Penetration Test	West Texas Campuses				8/16/18	Risk Based
Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit	Office of Sponsored Programs & Financial Aid				-	Risk Based
Servion Contract Audit	Airport				-	Risk Based
Accounts Receivable/Billing Audit	Finance and others					Risk Based
Concur Software Audit - TAC 202	OIT				-	Risk Based
Informer Software Audit - TAC 202	OIT				-	Risk Based
Wireless Network Security Audit	OIT				-	Risk Based

EXTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
TWC: Monitoring review of SDF Contract # 2418SDF002	OSP/Harlingen	In Progress - Formulating audit responses	21-012A	9/10/20		
TWC: Monitoring review of SDF Contract # 2418SDF003	OSP/Harlingen	In Progress - Formulating audit responses	21-012A	9/10/20		
Financial Processes Audit performed by the SAO	Finance	In Progress - began in June 2020				
Recovery Audit by the State Comptroller's Office	Finance	In Progress - began in June 2020				
Desk Review of Perkins Career and Technical Education – Basic Grants to States, CFDA#84.048, Award #20796 by the THECB	Finance	In Progress				

OTHER INTERNAL PROJECTS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Internal Hotline: Received an anonymous complaint on 10/2/20 that equipment purchased using a procurement card has been delivered to an employee's residence versus the College. The reporter was concerned the purchases was fraudulent.		In Progress				
Assisted management with identifying location, physical state, and access to, all rooms and closets on every campus where IT network assets are located. The purpose of our involvement was to give them an independent assessment of the access and safety issues that may be present so that they can make informed decisions on what to better control. A formal report was not issued, but an asessment document was presented to them.	OIT/Safety	In Progress - began in FY 2020	20-007P			
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 - began in FY 2020				
Consulting: Serving on Waco Task Force for demolishing numerous building. Role is limited identifying potential risks and suggesting ways to mitigate those risks.	Facilities/Finance	In Progress - began in FY 2020				

Glossary	
CFDA	Catalog of Federal Domestic Assistance
HR	Human Resources
IT	Information Technology
OIT	Office of Information Technology
SAO	State Auditor's Office
SDF	Skills Development Grant
TAC	Texas Administrative Code
TEC	Texas Education Code
THECB	Texas Higher Education Coordinating Board
TWC	Texas Workforce Commission

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
Waco Bookstore Audit (20-003A)		No findings identified.			
Application Audit of WinPrism - Bookstore Point of Sale System (20-026A)	1. We identified found 30 of the 49 required controls that still need to be either implemented or substantially improved.		By March 30, 2021, OIT will remediate no less than 30 security controls in the WinPRism system. Internal Audit will monitor progress quarterly.	Scherwitz/McKee	3/30/21
Audit of Onsite Support Department (20-032A)	1. We found opportunities for the OS Department to improve. Some supporting policies, training guidelines, and similar documentation needed to be updated. We particularly noticed that the escalation procedures fell within those guidelines that needed updating. There were also some MDF/IDF networking closets where access needed to be better tracked. And finally, there was an opportunity to gauge customer service perception by implementing a periodic customer service survey.	• Operational procedures have not been updated to reflect recent changes in the IT environment. The OS Department mission statement, while still relevant, has also not been revisited recently, either. • Formal metrics have not been developed to assist with measuring effectiveness, such as the expected time to complete routine requests. • The ticket workflow process documentation does not reflect, in some instances, the actual workflow being followed.	1.1 All outdated documentation will be updated and better maintained. 1.2 develop a more efficient method for tracking access to the MDF/IDF closets by field technicians. 1.3 A customer service survey will be implemented to assist with gauging our service levels.	Scherwitz/Schulte	11/30/20

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
		• Training documentation is not being consistently maintained. • There is not a periodic request for customer feedback. This is especially important since their role is very customer focused. • And, there was inadequate documentation on one campus of access to some areas containing IT equipment. The master key to MDF/IDF closets shared by all field technicians is not logged when used. Furthermore, electronic door locks, where applicable, have not been reset on that same campus and another in several years.			
Harlingen Bookstore Audit (20-033A)	1. Access to the bookstore needs to be better controlled.	• There is no record of who has codes to the security alarm. We contacted the security company and learned a request to change or add codes was last made in early 2014. There has been employee turnover since that time. • Two of the 12 security cameras are inoperable. • An employee outside of the bookstore has swipe card access to a bookstore office where the safe is located. Access to the bookstore is possible through that office.	1.1 The Manager will be trained to clear all alarm codes, and reassign new codes. The codes will be changed at least annually, and as staff turns over. 1.2 Will place a request with OIT to reposition the two inoperable cameras, and check them at least annually. 1.3 Submit a request to Campus Police to remove the access, and will monitor access at least annually.	Solano	1.1, 1.2 11/30/20 1.3 10/31/20

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
TAC 202 Compliance – Quarterly Update (20-010A)		Four more controls were identified as being implemented, 16 more pending verifation by Internal Audit.				
Duplicate Payment Audit by the State Comptroller's Office	1.	Identified 4 duplicate payments totaling $1444.70. Payments were made in 2015 and 2016.	All payments were recouped.		Boykin/Wilke	Immediately
	2.	The College self reported 13 additional duplicate payments totaling $43,219.29 that it identified prior to this audit. All payments were related to utilities.	All payments were recouped. The Department asked Internal Audit to assist with a risk assessment to document the current controls. The enhanced controls provided by Workday will also assist.		Boykin/Wilke	Immediately
Compliance Survey by the Texas Veteran's Commission	1.	For two veterans, the school failed to obtain post-secondary transcripts and military transcripts to verify previous education.	Ensure all required documents are obtained.		Stuart-Carruthers/Guevara	Immediately
	2.	For one student, the school failed to notify the DVA of the change of student status with 30 days of the change.	Notify DVA within 30 days of status changes.		Stuart-Carruthers/Guevara	Immediately
CJIS Security Audit (Waco Campus Police) by the Department of Public Safety		The agency was found to be compliant with the CJIS Security Policy requirements.				

Texas State Technical College
Internal Audit
Follow Up Schedule & Status

	Completion Summary		
	6/30/20	**9/30/20**	**Cleared from (Added to) Schedule**
Audits from FY 2017 & Earlier	2	2	0
Audits from FY 2018	1	1	0
Audits from FY 2019	5	4	1
Audits from FY 2020	2	7	(5)
Net Total	10	14	(4)
Findings from FY 2017 & Earlier	2	2	0
Findings from FY 2018	1	1	0
Findings from FY 2019	5	4	1
Findings from FY 2020	3	7	(4)
Net Total	11	14	(3)

Highlights:

TAC 202 Audits: 4 more controls were implemented, with 16 pending testing.

Helicopter Investigation (19-0009I): All issues were resolved.

Workplace Harassment Audit (19-014A): All CAPs are substantially complete.

Challenger Center Audit (19-018A): A more robust minors on campus policy requiring more frequent training and background checks for employees who work with minors has been drafted.

Clery Act Audit (20-014A): The Annual Security and Fire Report now includes most of the information that was found to be lacking in the audit. The Emergency Notification system is being tested more frequently, and fire drills are being performed more frequently.

Help Desk Audit (20-025A) & Onsite Support Audit (20-032A) : A customer service survey has been implemented.

Airport Operations Audit (20-008A): Movement occuring on clearing the boneyard, better monitoring vendor insurance, and monitoring vendor payments.

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 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.	**Ongoing:** 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 if COVID restrictions allow. The SAO is currently testing similar procedures in the Financial Processes audit.		TBD
TAC §202 Compliance Audits (17-002A) (19-004A), (19-003A), (19-017A), (20-026A), 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 10/9/20, 7 systems and the IT general controls have been audited. A total of 12 general controls and 96 (total for all systems audited) application controls were not yet implemented. In this quarter, 4 controls were improved to implemented status, with 16 pending testing.		Ongoing

Audit	Finding	Recommendation	Response	Date
PCI Compliance Audit (18-009A), Herrera	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 10/9/20, PCI controls were for the food services function were still pending testing. Both Audit and IT efforts have been focused on improving TAC 202 compliance. There is an overlap of TC 202 controls with PCI. In 2021, we will restart testing of select PCI controls.	Ongoing
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.	**Substantially Complete:** On 10/7/20 we reviewed a draft of the comprehensive harassment policy. HR is ready to submit the policy for approval. It includes all 10 of the EEOC's recommended elements, and covers all forms of harassment.	12/31/20

Audit	Finding	Recommendation	Status	Date
		1.3 A single comprehensive policy will be created, with various forms of training being conducted.	**Substantially Complete:** See CAP 1.1. On 10/7/20, we reviewed Civility Training developed by HR. This training is now part of the TSTC onboarding process for new employees, and has been offered during TSTC elearning days. The training includes all of the EEOC's recommendations. We will follow-up one more time to verify the training is being completed by employees.	12/31/20
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.	**Substantially Complete: At** 9/30/20, we determined that a draft policy has been created to better control risks related to minors on campus. It will require employees who work with minors to complete bi-annual training and submit to a background check. An HR employee has been granted access to the Tx Criminal Search Database, and has started the related training. IA will follow up again in December 2020 to ensure project has been completed.	11/30/20
	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.	**Ongoing:** At 9/30/20, we determined in a conversation with Jan Harvey, this has not yet been resolved. She indicated that they will focus on addressing this after year-end close.	12/30/20
		2.2 Validate revenue and accounts receivable monthly.	**Ongoing:** At 9/30/20, we determined in a conversation with Jan Harvey, this has not yet been resolved. She indicated that they will focus on addressing this after year-end close.	12/30/20

Admissions Process Audit (19-017A), Stuart-Carruthers, Foshie, Arredondo	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:** As of 10/6/20, the corrective action was revised, however, the completion date remains December 2020. The Registrar has requested a list of employees' access to review.	Due to changes in procedures in the division, the corrective action was revised to: Executive Registrar will work collaboratively with OIT to periodically evaluate access to ensure compliance based on current job description. Annual review of access will continue to monitor for any changes in job duties that may require access updates.	12/30/20
Clery Act Compliance Audit (20-014A), Torres	1.	Some required policy statements were either missing or inaccurate in the 2019 AFSR, procedures related to Campus Security Authorities need to be improved, and we could not reconcile crime data submitted to the ED.	1.1 The next Annual Security Report will include all missing information, and all instances of inaccurate information in this report and information submitted to the Department of Education will be eliminated.	**Substantially Complete:** As of 09/16/20, Internal Audit reviewed the 2020 annual security & fire safety report to be distributed on 10/01/2020, all of the missing information were addressed in the policy statement. However, there is still some required information that needs to be added in the drill and fire statistics table/section. Because web-based data collection used to submit crime statistics will not be open till December 2020, we will review those submissions at a later time. The Department of Education also issued an extension for the distribution of the annual security report to December 2020.	10/1/2020 12/2020

			10/1/20
1.2 Processes are being developed in coordination with SHEA Officers, HR, Student Development, Chiefs of Police, and Risk Management, to ensure all Campus Security Authorities are aware of their responsibilities by maintaining an accurate list of all such people and the training they have received. Standardized processes are also being developed by the Chiefs of Police. Compliance will be verified through reviews of the requirements during the preparation of the Annual Security Report, and through frequent communication and input from all areas previously listed.	**Ongoing:** As of 09/29/2020, enhancements were still ongoing related to campus security authorities.		
2.2 Since 2018, the Risk Management has implemented fire drills on each campus with assistance from its increased staff of SHEA Officers. Those drills are tracked and reviewed by the Director of Risk Management.	**Substantially Complete:** As of 09/23/20, the department tracks and records fire drills on a system-wide fire drill google spreadsheet, and maintains fire drill report to support it. However, a fire drill was not conducted at least once a year for 6 of 10 campus during calendar year 2019 (Jan. 2019 to Dec. 2019) of which 2 campus had no fire drill reports to support the test. Clery looks at by calendar year and not fiscal year. After the issuance of the audit report (April 2020), a fire drill report was completed and maintained for all fire drills except for 2. (2 of 12 fire drills from Apr. 2020 - Aug. 2020) The department is working on making this a consistent process systemwide. Note: Revisit in ending Dec. 2020/Jan. 2021 by this time calendar 2020 has ended.	Per discussion with Chris Matin on 09/22/20 through google hangouts. The fire drills are recorded and tracked in a google spreadsheet. The fire drill reports are filed in a google shared folder by campus. However, not all campus will have this document because the department is trying to make this a consistent process system.	12/30/20

A-18

Help Desk Audit (20-025A), Scherwitz	1. We found supporting policies and training guidelines, as well as other related documentation to be outdated. Information from some of these resources included outdated information for escalating issues. And, we noted an opportunity for the Help Desk to better gauge it's customer service effectiveness by simply requesting periodic feedback from customers.	1.1 Review and update all documentation for training, ticket workflow and escalations to ensure the documentation is current. A procedure will be put in place that will require an annual review by the Help Desk Director.	Ongoing	10/30/20
		1.2 Will implement documentation and reports that track key performance indicators for the Help Desk Analyst and Associate Analyst. These reports will contain time to resolution for tickets, the service and type of tickets. This documentation and reports will be reviewed quarterly by the Help Desk Director.	Pending Review	9/30/20

A-19

Airport Operations Audit (20-008A), Herrera, Semien	1. Contract management procedures should be enhanced to ensure all contract provisions are met.	1.1 Invoicing & Receivables: issues will be addressed in the same manner regardless of tenant. Blanca Guzman, Chief of Staff for the Vice Chancellor, and Elvira Reyna, Budget Analyst, will work with Accounting to ensure our invoicing and receivables are done timely and as scheduled for each individual lease. Blanca and Elvira will also be generating their own monthly reports and tracking activities. Any discrepancies or improvements will be addressed accordingly with Airport Operations and/or the Accounting department. Blanca Guzman will be responsible for these activities and this situation will be resolved by July 31, 2020.	**Pending Review:** As of October 31, 2020, Internal Audit was forwarded documentation indicating an enhanced process of invoicing and tracking receivables has been implemented. We still need to perform in depth testing. 10/6/20: We reviewed the documentation from Elvira Reyna. Ms. Reyna has been working with the Student Accounting staff to verify airport vendors have been billed according to contract terms, and that we have collected on those invoices. Internal Audit will do detailed testing of all Invoicing and Payment processes in an upcoming audit.	7/31/20
		1.2 Insurance Requirements: Blanca Guzman will provide oversight of the insurance requirements and coordinate with the Kevin Semien, Interim Airport Operations Tenant Management, to ensure all insurance requirements are complied with. Together, they will validate insurance requirements annually. Blanca Guzman will be responsible and this task will be completed by September 30, 2020.	**Substantially Complete:** On 10/1/20 we reviewed evidence that a method for tracking insurance requirements has been developed. IA reviewed the documentation and found some insurance gaps still exist. We forwarded our findings to management, who continue to address the gaps.	12/30/20

Task	Status	Date
1.3 Use of Taxiway: L3 was made aware of the need for them to halt using the taxiway and begin to remove their equipment. We will establish a timeline for them to remove the equipment in coordination with L3. Kevin Semien will be responsible for this task and timeline will be complete no later September 30, 2020.	**Ongoing:** Followed up on 10/5/20 with Kevin Semien. Vendor personnel are in the process of disposing of the equipment. We will hold this open until the area is noticeably cleaned.	12/30/20
1.4 UHI: Kevin Semien worked with UHI Executives on the payment balance. UHI Executives agreed to pay their balance prior to their expiration and termination of their lease. Kevin Semien is responsible for this task and the task should be resolved by July 31, 2020.	**Substantially Complete:** As of October 31, 2020, only one payment was still pending. The 3 other outstanding payments were made. The last remaining payment is being contested.	12/30/20
1.5 Jimmy Jaska/Hay Baling: Kevin Semien will work with Jimmy Jaska to ensure the insurance is updated accordingly. Kevin Semien will also work with Jimmy Jaska in recording the number of bales actually collected and ensure the appropriate ratio is applied accordingly. The insurance matter will be resolved by September 30, 2020 and the bale ratio on the next occurrence.	**Pending Review:** We have not yet been able to follow-up on this issue.	9/30/20

Application Audit of WinPrism - Bookstore Point of Sale System (20-026A), Scherwitz, McKee	1. We identified found 30 of the 49 required controls that still need to be either implemented or substantially improved.	1.1 OIT will remediate no less than 30 security controls in the WinPRism system. Internal Audit will monitor progress quarterly.	**Ongoing:** This will be included in our follow-up testing of TAC 202 controls.	3/30/21
Audit of Onsite Support Department (20-032A) Scherwitz, Schulte	1. We found opportunities for the OS Department to improve. Some supporting policies, training guidelines, and similar documentation needed to be updated. We particularly noticed that the escalation procedures fell within those guidelines that needed updating. There were also some MDF/IDF networking closets where access needed to be better tracked. And finally, there was an opportunity to gauge customer service perception by implementing a periodic customer service survey.	1.1 All outdated documentation will be updated and better maintained. 1.2 develop a more efficient method for tracking access to the MDF/IDF closets by field technicians.	**Ongoing**	11/30/20
Harlingen Bookstore Audit (20-033A), Solano	1. Access to the bookstore needs to be better controlled.	1.1 The Manager will be trained to clear all alarm codes, and reassign new codes. The codes will be changed at least annually, and as staff turns over.	**Ongoing**	11/30/20
		1.2 Will place a request with OIT to reposition the two inoperable cameras, and check them at least annually.	**Ongoing**	11/30/20
		1.3 Submit a request to Campus Police to remove the access, and will monitor access at least annually.	**Ongoing**	10/31/20

TEXAS STATE TECHNICAL COLLEGE

Internal Audit Annual Report
Fiscal Year 2020

Prepared by
Jason D. Mallory, Director of Audits

Table of Contents   SECTION

I.   Internal Audit Plan for FY 2020

The Board of Regents approved the original internal audit plan for FY 2020 on August 15, 2019, with Minute Order #33-19. There was one deviation from the original internal audit plan. Minute Order #28-20 on August 20, 2020, removed an audit of accounting controls. That project was intended to be a comprehensive review and documentation of key accounting controls that ensure significant balances recorded in the general ledge and on the financial statements are reasonably stated. During FY 2020 the College engaged a consultant to assist with its readiness phase of implementing Workday to replace Colleague. A significant part of the readiness phase included redesigning major accounting controls to operate within the new Workday environment. While actual implementation of Workday is still in the planning phases, the future implementation will alter/remove/add key accounting controls. We felt performing the audit after Workday is implemented would provide more assurance to management and the Board of Regents.

This audit plan was prepared using risk assessment techniques as required by the Texas Internal Auditing Act. Six audits from the FY 2019 Internal Audit Plan were completed after August 31, 2019.   At August 31, 2020, 12 internal audits from the FY 2020 Internal Audit Plan were completed, along with 13 investigations and other projects, and 7 audits/reviews by external regulatory agencies. After August 31, 2020, 3 internal audits, 3 investigation and other projects, and 4 audits/reviews by external regulatory agencies were in progress.

Texas Government Code §2102.005(b) requires a state agency to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts. To comply with this provision, an internal audit of contract compliance is conducted annually. In FY 2020, 2 contract audits were completed – one from the FY 2019 Internal Audit Plan and the other from the FY 2020 Internal Audit Plan. Audit #19-031A identified a contract that was executed by a person without sufficient delegated authority, and also found required compliance documents for another contract that were either executed after the contract was signed or not signed by all persons. Audit #20-008.1 examined 5 recently executed contracts. We identified similar compliance document issues as cited in Audit #19-031A. Both audit reports were previously sent to the State Auditor's Office with full details of the issues.

Audit #20-001A addressed the benefits proportionality audit requirement prescribed in Rider 8, page III-48, the General Appropriations Act (86th Legislature)

Fiscal Year 2020 Internal Audit Plan

Project Description	Division/Campus	Report Number	Report Date	Status
Public Funds Investment Act Compliance Audit	Finance	20-004A	9/26/19	Complete

Internal Network Penetration Test (EWCHEC)	OIT/Safety & Security/Provost Office	20-002A	9/27/19	Complete
Benefits Proportionality Audit	Finance	20-001A	12/6/19	Complete
Internal Network Penetration Test (Harlingen)	OIT/Safety & Security/Provost Office	20-011A	12/13/19	Complete
Internal Network Penetration Test (Waco)	OIT/Safety & Security/Provost Office	20-016A	3/10/20	Complete
Clery Act Audit	Safety & Security	20-014A	4/8/20	Complete
Help Desk Audit	OIT	20-025A	6/19/20	Complete
Career Services Audit	Academic Division	20-013A	6/23/20	Complete
Contract Compliance Audit	Procurement	20-008.1	7/2/20	Complete
TAC 202 Follow-up Audit	OIT	20-010A	7/3/20	Complete
Airport Operations Audit	Waco Airport	20-008A	7/13/20	Complete
Waco Bookstore Audit[Note 1]	Student Services	20-003A	8/25/20	Complete
Harlingen Bookstore Audit [Note 2]	Student Services	20-033A		In progress
Field Tech/Support Audit [Note 2]	OIT	20-032A		In progress
Waco Bookstore POS – TAC 202 Audit [Note 2]	OIT/Student Services	20-026A		In progress
Accounting Controls Audit	Finance			Removed by MO #28-20

Notes:

    1   The audit was completed before August 31, 2020. It will be considered final after the report is discussed at the Board meeting on November 12, 2020.

    2   The audit was still in progress at August 31, 2020. The audit will be reported at the November 12, 2020, meeting of the Board of Regents.

The FY 2019 audits completed in FY 2020 include an audit of C4EO, report #19-032A, report date 11/15/19, a contract audit, report #19-031A, report date 12/12/19, audits of the Waco and Harlingen Challenger Centers, reports #19-018 and #19-019, reports date for both is 9/4/16, and Admission process audit and the system they use, report #19-017A, report date 9/30/19. We consider the latter 2 separate audits.

II. Summary of Audit Findings and Corrective Action Plans for Audits Conducted in FY 2020

Twelve of the 15 internal audits from the FY 2020 audit plan were completed before August 31, 2020. The remaining 3 scheduled audits were in progress while this report was being prepared. There were also 6 FY 2019 audits that were completed in FY 2020. All the audits, with the exception of the 3 audits still in progress, are detailed in the following table.

Report #	Date	Audit	Division/ Campus	Summary of Findings	Status & Summary of CAPs
19-018A & 19-019A	9/4/19	Departmental Audits of Challenger Learning Center	Waco and Harlingen Campuses	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.	**Ongoing:** Enhanced policies and procedures are being developed.
				Controls related to the recording of revenue and accounts receivable need to be improved.	**Ongoing:** Accounting processes are being re-evaluated.
19-017A	9/30/19	Admissions Process Audit	Student Services	Application processes need to be improved to ensure documentation is standardized, and communications with applicants are timely.	**Fully Implemented:** Processes were enhanced through training and monitoring.
				Access to admissions and enrollment related mnemonics in	**Ongoing:** Access will be re-evaluated and restricted.

				Colleague needs to be better restricted.	
19-017A	9/30/19	TAC 202 Audit of Target X Application & Informatica Server	Admissions Office	We found 27 TAC 202 controls that need to be implemented for Target X, and 15 for the server.	**Ongoing:** Controls are being implemented as applicable.
19-031A	12/12/19	Annual Contracting Audit	Finance	We identified compliance exceptions for 2 of the contracts we reviewed, with the most significant issue relating to the approval authority for one of the contracts.	**Fully Implemented:** The contracting process was automated, with delegation of authority and workflow compliance being driven by the new system.
19-032A	11/15/19	C4EO Audit	West Texas Campuses	No material exceptions.	
20-004A	9/26/19	Public Funds Investment Act	Finance	Minor compliance requirements were not achieved.	**Fully Implemented:** Training and COI acknowledgements by the Board and management are now performed within deadlines.
20-002A	9/27/19	Internal Network Penetration Test	East Williamson County Campus	Three people provided us their user IDs and logons during our social engineering attempts	**Fully Implemented:** Specific employees were counseled, and all employees were reminded of their training and associated risks.
20-010A	7/3/2020	TAC 202 Compliance – Quarterly Update	OIT	There are still several general and application controls that are needing to be implemented.	**Ongoing:** Every quarter a set of outstanding controls are implemented. Each quarter, an

					average of 8 have been improved.
20-001A	12/6/19	Benefits Proportionality Audit	HR/ Payroll	No material exceptions.	
20-011A	12/13/19	Internal Network Penetration Test	Harlingen Campus	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.	**Fully Implemented:** Specific employees were counseled, and all employees were reminded of their training and associated risks.
20-016A	3/10/20	Internal Network Penetration Test	Waco Campus	Through scripted telephone calls in which our actual telephone number was masked, we were able to obtain the logon credentials of 5 employees to the College's ERP system. We were able to access the Portal through an employee's unsecured laptop without detection, and found computers in one student computer lab could access the internal network.	**Fully Implemented:** Specific employees were counseled, and all employees were reminded of their training and associated risks.
				We noted physical security lapses.	**Fully Implemented:** Specific employees were counseled, and all employees were reminded of their

					training and associated risks.
20-014A	4/8/20	Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act - Compliance Audit	Safety & Security	Some required policy statements were either missing or inaccurate in the 2019 AFSR, procedures related to Campus Security Authorities need to be improved, and we could not reconcile crime data submitted to the ED.	**Substantially Implemented:** The next ASFR due in October 2020 will include all required missing information.
				Emergency notification procedures and evacuation drills need to be enhanced.	**Substantially Implemented:** Conduct test of the ENS each term. Fire drills have been conducted more frequently since 2018.
20-025A	6/19/20	Help Desk Audit	OIT	Found supporting policies and training guidelines, as well as other related documentation to be outdated.	**Substantially Implemented:** Policies and documentation will be updated by October 31, 2020.
20-013A	6/23/20	Career Services Audit	Instruction & Support	No material exceptions.	
20-008.1A	7/2/20	Annual Contracting Audit	Finance	No material compliance exceptions were identified. We identified contract management exceptions in other Airport related contracts in the operational audit of	

				the Airport we conducted concurrently with this one. Please refer to that report for that finding.	
20.008A	7/13/20	Airport Operations Audit	Waco Campus	Contract management procedures should be enhanced to ensure all contract provisions are met.	**Pending Follow-up:** Contract monitoring issues were scheduled to be complete by 7/31/20.
20-003A	8/25/20	Bookstore Audit	Waco Campus	No material exceptions.	

III. List of Consulting Engagements and Non-audit Services Completed in FY 2020

Thirteen consulting and non-audit type of services were *completed* in FY 2020. There were 3 others in progress at August 31, 2020. The following schedule summarizes those projects.

Report #	Date	Project Description	Division /Campus	Summary of Observations and Recommendations	Status & Summary of CAPs
19-027I	9/27/19	Conflict of Interest	Instructional	Follow current policy and prohibit use of employee related vendor without the matter being approved by the appropriate levels of Executive Management, and possibly the Board. The relationship being scrutinized was fully transparent.	**Fully Implemented:** Related party transaction are being rejected by Procurement without appropriate evidence of approval.
19-028I	8/27/19	Misuse of Assets	Instructional	Recommended outside activities, such as other employment and professional development, continue to be monitored.	**Fully Implemented:** All activities are more closely monitored.
19-022P	7/23/19	SkillsUSA	Instructional	Recommended any assistance given to the SkillsUSA competition be limited to providing facilities.	**Fully Implemented:** Competitions were moved to a college other than TSTC.
20-006I	10/8/19	Conflict of Interest	Support Services	Investigated an undisclosed	**Fully Implemented:** Manager was

				personal conflict with a vendor. Recommended the conflict be disclosed so as to avoid the appearance of impropriety.	separated from employment.
20-019I	1/14/20	Conflict of Interest	Support Services	Investigated a situation in which an employee was referring students to his part time employer for services. Found the conflict was disclosed, but recommended the referrals be made by another person.	**Fully Implemented:** Employee deferred all referrals to another employee.
20-015I	1/17/20	Inappropriate Asset Disposal	Central Receiving/ Instructional	Investigated whether disposed assets were following appropriate procedures, and assets be used only for legitimate College purposes.	**Fully Implemented:** Several employees were terminated.
20-021I	1/30/20	Financial Aid Investigation	Financial Aid	Investigated whether aid awarded in 1983 was never received by the student. Did not find the allegation to have merit.	
20-020I	3/2/20	Misuse of Aircraft	Instructional	Determined some student flights were not charged,	**Fully Implemented:** Employee was demoted, training

				and access to aircraft be better restricted.	fees were improved, and access to aircraft was more restricted.
20-022I	3/10/20	Unauthorized Registration	Instructional/ Registrar	Determined that student did not appeal her grades until 5 years after they were assigned. College followed policy.	**Fully Implemented:** College forgave student debt allowing the student to receive her transcript.
20-024I	4/7/20	Inappropriate use of Student Club Funds	Instructional	Fund raising activities in culinary arts needed to be directed through the Foundation.	**Fully Implemented:** Future fund-raising activities will require Foundation input and assistance.
20-023I	No report issued.	Reason for Failing Grades	Instructional	Determined that a student of a discontinued program failed. Referred the matter to the Provost to contact the student.	
20-030I	6/15/20	ACH Fraud	Accounts Payable	Determined an employee circumvented procedure and issued a payment without proper verification.	**Fully Implemented:** Fraud was turned over to law enforcement for investigation. Employee was terminated.
20-034I	8/12/20	Drafting Investigation	Provost Office	Determined drawings are frequently donated by instructors, employees and companies to supplement drafting instruction. Recommended on	**Fully Implemented:** Assets were better restricted, and a waiver was created to document when drawings are donated.

Texas State Technical College.

				employee better protect his assets.	
20-007P	In progress	MDF/IDF Review	OIT	Identifying safety and access gaps in closets and rooms where IT equipment is being stored.	
	In progress	Waco Construction	Facilities	Serve in an advisory capacity to discuss progress and risks associated with the abatement and razing of numerous facilities.	
	In progress	Workday Implementation	Finance/HR/ OIT	Serve in an advisory capacity to discuss progress and risks associated with implementation of new ERP system.	

IV. External Audit Services Procured in FY 2020

There were no delegation requests in FY 2020 for audits to be performed by third party providers. There were 11 audits by external agencies that were complete or ongoing at August 31, 2020. The following schedule summarizes those projects.

Agency	Date	Project Description	Division/Campus
Veteran's Administration	10/2/19	The College provided voluntary feedback to identify areas for improvement in its administration of VA funds.	Financial Aid
Department of Public Safety	12/13/19	The review verified access to the N-DEx system.	Waco Campus Police
USDA	No report issued	Monitored compliance to a subaward of grant UTRGV 2015-38422-24061(03).	Office of Sponsored Programs
Texas Workforce Commission	No report issued	The audit was part of an internal audit by TWC internal auditors of their own monitoring processes.	Office of Sponsored Programs
Texas Workforce Commission	5/15/20	This was a desk review of grant 2918PEB000.	Office of Sponsored Programs
Texas Workforce Commission	9/10/20	Monitored compliance requirements of SDF Contracts 2418SDF002&3.	Office of Sponsored Programs
Veteran's Administration	8/10/20	Routine compliance survey.	Financial Aid
Texas State Comptroller's Office	9/8/20	Identify potential duplicate payments.	Finance
State Auditor's Office	Ongoing	Test select financial and accounting processes.	Finance
Texas State Comptroller's Office	Ongoing	Identify payments to vendors that may require recovery efforts.	Finance

V.   Internal Audit Plan for FY 2021

The plan was developed through a collaborative effort between Internal Audit, Executive Management, Senior Management, and the Board of Regents.

Executive Management and the Board of Regents first rated the priority of the following seven risks:
1. Financial Risk
2. Accounting Risk
3. Strategic Risk
4. Fraud Risk
5. Regulatory/Compliance Risk
6. Safety Risk
7. Customer Service Risk

They were also requested to provide a list of specific audits they wanted performed.

Senior Management then reviewed and revised, if necessary, a risk assessment for each major activity or process within their responsibility. The seven risks prioritized by Executive Management and the Board of Regents were incorporated into those risk assessments. Sixty one activities and processes were assessed.   Senior Management was also requested to provide a list of specific audits.

Internal Audit assigned scores to the major activities and processes based upon the results of the risk assessments and risk priorities.

Finally, all regulatory required audits were identified by Internal Audit.

Internal Audit first selected the four required audits. We then selected audits with the highest risk scores and that touched the most individual risks, and/or covered specific requests. Other than the areas actually selected for audit, consideration was given to risks associated with purchasing and procurement card use, remote work, facilities and ground maintenance contracts, workforce development, dual enrollment, Team Dynamix application, and fleet management. An audit related to benefits proportionality was performed in FY 2020 in which compliance in FYs 2017, 2018, and 2019 was reviewed. A similar audit was not scheduled in FY 2021. The TEC §51.9337 (Contracting) Audit is intended to satisfy the annual contracting audit requirement.

When determining what IT resources should be audited, criticality of the resource in business operations and the type of data that it processes/stores were primary considerations. For the contracts we will select for audit, we will consider the overall value of individual contracts, their types, and whether they are typically more susceptible to fraud and waste. Time since last audit are also considered for each of these types of audits. Time since last audit and exceptions identified in the last audit, or lack thereof, were primary considerations for not selecting benefits proportionality to audit again in FY 2021.

Our planning process yielded the following audit plan for FY 2021:

Audit Name	Budgeted Hours
TEC §51.9337 (Contracting) Audit – satisfies annual audit requirement of contracts	200
TAC 202 (IT Security) Audit – satisfies biennial audit requirement	700
Safety and Security Audit of all 10 campuses	950
Internal and External Quality Assessment Review of Internal Audit	600
Administrative & Faculty Hiring Process Audit	250
Internal Penetration Test – West Texas Campuses	300
Internal Penetration Test – Marshall Campus	300
Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit	250
Audit of Student Club Accounts	250
Servion Contract Audit	300
Accounts Receivable/Billing Audit	400
Concur Software Audit – TAC 202 controls	350
Informer Software Audit – TAC 202 controls	350
Wireless Network Security Audit	300
Social Media Audit	150

The FY 2021 Audit Plan was approved by the Board of Regents on August 20, 2020, by Minute Order #29-20.

VI.   Reporting Suspected Fraud and Abuse

TSTC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the 86th Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- The College's website describes how to report suspected fraud, waste and abuse to the State Auditor's Office. A link to the State Auditor's Office fraud hotline is included, as is the hotline telephone number.
- A confidential internal fraud hotline is also available for people to report suspected fraud, waste and abuse. The hotline is administered by Internal Audit.
- Statewide Operating Standards GA 1.15, GA 1.16, and GA 1.17 have been adopted that detail responsibilities to prevent/detect fraud, how to report suspected fraud, and describe the College's other expectations in regard to fraud, waste, and abuse. Those Standards are available through the College's website.
- In compliance with the reporting requirements of fraud, waste, and abuse, the College reports all instances of confirmed fraud, waste, and abuse to the SAO.

VII. Compliance with TGC, Section §2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the TSTC Website

TGC, Section §2102.015 requires the College to post certain information on its website. Specifically, the College must post the current year audit plan within 30 days of approval by the Board of Regents, and the following information to its website:

- The annual audit report for the previous fiscal year.
- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report.
- A summary of the action taken by the College to address concerns raised by the audit plan or annual report.

To comply with the requirements, TSTC Internal Audit will submit its Internal Audit Annual Report to the College's website coordinators to be posted on the Internal Audit section of the College's website no later than 30 days after the TSTC Board of Regents approves the current year audit plan at its August meeting. This report includes all the required elements required by TGC, Section §2102.015.

VIII. External Quality Assurance Review

An External Quality Assurance Review of the Internal Audit Department was completed on August 30, 2018, by Terry Corrigan and Courtney Holden. Mr. Corrigan is the Internal Audit Director with Houston Community College. Mr. Holden is an Internal Auditor with that same college. Both were entirely independent from all auditors employed by the TSTC Internal Audit Department.

The results of the review indicated that TSTC Internal Audit Department generally conforms to standards. The Department was also commended for several practices it facilitates and engages in. A copy of the original report is attached.

The next External Quality Assurance Review is scheduled to be performed in FY 2021, with a report issued by August 31, 2021.

August 30, 2018

Mr. Ivan Andarza, Vice Chairman & Chair of the Audit Committee
Mr. Jason Mallory, Director, Internal Audit
Texas State Technical College
3801 Campus Drive
Waco, Texas 76705

Dear Mr. Andarza and Mr. Mallory,

At your request in the engagement letter dated January 5, 2018, we performed an
external quality assurance review (EQAR) on the Internal Audit Department of Texas
State Technical College (TSTC). The review included an independent validation of the
assertions and conclusions made in the Internal Quality Assessment Review Report
issued by Ms. Tahlia Pena, Manager of Internal Audits for TSTC, on November 21,
2016. The primary objective of our engagement was to provide an independent opinion
on whether the internal auditing program, overseen by Mr. Mallory at TSTC, achieves
the basic requirements expected of internal auditing activities at all institutions of higher
education supported by the State of Texas, as asserted by the Internal Quality
Assessment Review Report previously mentioned. Those requirements are set forth by
the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the Institute of Internal
Auditors' (IIA's) *Code of Ethics* and *International Standards for the Professional Practice
of Internal Auditing,* and the U.S. Government Accountability Office *Generally Accepted
Government Auditing Standards*. For purposes of this review, we collectively refer to
these as the *Standards.*

The EQAR was performed by Terry Corrigan, Internal Audit Director for Houston
Community College (HCC), and Courtney Holden, Internal Auditor for (HCC). We attest
that we are independent from all internal audit activities at TSTC, and have the requisite
skills and knowledge to undertake the engagement.

Opinion Rating Definitions

The rating system that was used for expressing an opinion for this review provides for
three levels of conformance: generally conforms, partially conforms, and does not
conform.
- *Generally conforms* means that the Internal Audit Department has the relevant
  structures, policies, procedures, and an audit charter that comply with the
  Standards in all material respects; however, opportunities for improvement may
  exist.

- *Partially conforms* means the Internal Audit Department is making good-faith efforts to comply with the Standards, but falls short of achieving some major objectives. This will usually represent that significant opportunities for improvement are needed in effectively applying the *Standards.*
- *Does not conform* means the internal audit activity is failing to achieve many or all of the *Standards* objectives. These deficiencies will usually have a significant impact on the internal audit activity's effectiveness and its potential to add value to the organization.

Scope and Work Performed

The review was performed in accordance with the State Agency Internal Audit Forum Peer Review Guidelines using the Master Peer Review Program. It included all TSTC internal audit activities from September 2015 through June 2018, and consisted of the following:
- Review of the self-assessment documents;
- Interviews with you, the Board of Regents (BOR) Chairman, a BOR Audit Committee member, the Chancellor, other Chief Officers, and all internal audit staff members;
- A survey of a sample of managers who recently participated in internal audits; and
- Review of two audit projects working papers completed during the review period.

Results and Opinion

The results of our review confirmed compliance with the *Standards.* The interviews and survey results indicated the Internal Audit Department and its methods are very much valued and appreciated at TSTC.

We concur fully with the assertions and conclusions stated in the Quality Assurance Review Self-Assessment Report dated November 21, 2016. In our opinion, the TSTC Internal Audit Department **generally conforms** to the *Standards* for the period under review and no significant opportunities for improvement were observed.

Best Practices Observed

We commend the following best practices observed:
- Facilitating the quarterly leadership attestations;
- Facilitating the annual TSTC risk management assessment as part of the annual audit planning process;
- Issuing management letters for consideration on less significant or outside of audit project's scope observations; and
- Assisting with creating and participation with the Continuous Improvement Action Group.

We would like to express our thanks for the time and assistance given by you and your staff to expedite the review. We appreciated the opportunity to review your internal auditing practices and the sharing of best practices ideas.

Sincerely,

Terry Corrigan, CPA, CIA, CFE
Houston Community College
Director, Internal Audit

Courtney Holden, CFE
Houston Community College
Internal Auditor

Copies:
Mike Reeser, Chancellor
John Hatchel, Chairman of the Board
Ellis Skinner, Regent
Tiffany Tremont, Regent
Keith Honey, Regent
Tony Abad, Regent
Pat McDonald, Regent
Curtis Cleveland, Regent
Alejandro Meade, Regent
Elton Stuckly, EVC
Rick Herrera, VC
Jonathan Hoekstra, VC
Ray Rushing, VC
Gail Lawrence, VC
Jeff Kilgore, VC
Michael Bettersworth, VC
Roger Miller, VC

November 12, 2020

Mr. Curtis Cleveland, TSTC Audit Committee Chairman
Texas State Technical College
Waco, Texas 76705

SUBJECT: Information on Internal Audit's Program of Quality Control

Mr. Cleveland:

The Institute of Internal Auditors' *Professional Practices Framework* requires I provide you information annually on our quality control program for internal auditing. We have established a program that ensures independence, competency, and compliance to auditing standards. That program includes the following:

- Required annual continuing education for each staff member: In FY 2020, all staff obtained at least 40 hours of professionally relevant continuing education.
- Professional certification(s) and Education: Departmental staff hold undergraduate degrees in Accounting, Management, and Cybersecurity. One staff also holds an MBA, with another currently pursuing hers. Professionally recognized licenses and certifications held include 1 CPA, 2 Certified Internal Auditors, and a certification in control self-assessment. Additionally, recognitions as Certified Information System Auditors are also being pursued.
- Internal and external quality assessment reviews: An internal review was performed in FY 2017 that resulted in a "Meets Standards" opinion. An external review was performed in FY 2018, with a "Generally Conforms to Standards" grade being achieved. The next internal and external review will be performed this fiscal year.
- Reliable and sufficient documentation for all audit reports and opinions: I supervised all FY 2020 audits, and conducted working paper reviews before any reports or opinions were issued.
- Policy and procedures manual: All auditors are in possession of the manual, and acknowledged their responsibilities in writing prior to the fiscal year. That manual was reviewed and updated throughout the year as procedural changes were enhanced, with staff being promptly informed.
- Independence statements. In FY 2020, all auditors acknowledged their independence in writing. Formal procedures are established to address any potential conflicts of interest that may arise.
- Membership in professional organizations. The Department is a member of the *Institute of Internal Auditors (IIA),* the *Association of College and University Auditors (ACUA),* and the *Texas Association of College and University Auditors (TACUA).* We also maintain a membership with the *Association of Airport Internal Auditors (AAIA)*. One staff member still serves as the Secretary for the Board for TACUA.
- Client surveys. In FY 2020, client opinions of our work were sought after each audit. All responses were generally good to exceptional.

Sincerely,

Jason D. Mallory
Director of Audits

November 12, 2020

Mr. Curtis Cleveland, Audit Committee Chairman
Texas State Technical College
Waco, Texas 76705

SUBJECT: Annual Confirmation of Organizational & Individual Independence

Mr. Cleveland:

The Institute of Internal Auditors' *Professional Practices Framework* requires that I confirm annually to you that the Internal Audit Department and its staff are organizationally independent within TSTC to assure you that audit reports and other opinions I offer you are free of interference from management.

I attest that the Internal Audit Department has a reporting structure which promotes organizational independence. The current structure requiring me to report functionally to the Chairman of the Audit Committee, but administratively to the Chancellor, achieves the requirements of the *Professional Practices Framework.* I do not feel any barriers exist which prevent my direct communication and interaction with you. Also, there has not been any instance in which management has attempted to limit the scope of the internal audit role, interfere with work necessary to offer opinions, or unduly influence communications that you receive.

And while not specifically required to be confirmed, I also attest, to the best of my knowledge and belief, that my staff and I are free from any personal impairments which might present a conflict of interest. Everyone is expected to maintain independence of mental attitude in the conduct of all assigned work, to be objective, fair, and impartial, and to conduct themselves appropriately at all times. To limit and identify personal impairments, Internal Audit Department employees cannot have any operational responsibilities outside of the Internal Audit Department. They must also annually acknowledge their responsibilities in writing, and report any situation they feel might jeopardize their objectivity.

Sincerely,

Jason D. Mallory
Director of Audits

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November 12, 2020

Mr. Curtis Cleveland, TSTC Audit Committee Chairman
Texas State Technical College
Waco, Texas 76705

SUBJECT: Annual Review of Internal Audit Charter

Mr. Cleveland:

The Institute of Internal Auditors' *Professional Practices Framework* requires that the Audit
Committee establish and periodically review a written document which establishes an internal
audit department's authority and responsibilities. Attached for your review is Statewide
Operating Standard GA 1.4 Internal Audit Function, otherwise known as the **Internal Audit
Charter**. This document formally establishes the authority and responsibilities of the Internal
Audit Department at TSTC. The Internal Audit Charter was last approved by the Board of
Regents on January 31, 2019, at Minute Order 1-19(c).

In my opinion, the Internal Audit Charter contains all necessary elements required by the
Professional Practices Framework, and adequately establishes our authority and responsibilities
to you, the Board of Regents, and TSTC. I do not recommend any changes to the document at
this time.

Also attached for your review is the **Audit Committee Charter** which sets forth the
responsibilities of the Audit Committee. I have reviewed both documents and feel that
appropriate requirements are included in the Internal Audit Charter to ensure you fulfill the Audit
Committee's responsibilities within the Audit Committee Charter.

Sincerely,

Jason D. Mallory
Director of Audits

TEXAS STATE TECHNICAL COLLEGE
STATEWIDE OPERATING STANDARD

No. GA 1.4	Page 1 of 5	Effective Date: 01/31/2019
DIVISION:	**General Administration**	
SUBJECT:	**Internal Audit Function**	
AUTHORITY:	**Minute Order #01-19(c)**	
PROPOSED BY:	**Jason D. Mallory**	
TITLE:	**Director of Audits**	**Date: 01/31/2019**
RECOMMENDED BY:	**Jason D. Mallory**	
TITLE:	**Director of Audits**	**Date: 01/31/2019**
APPROVED BY:	**Mike Reeser**	
TITLE:	**Chancellor**	**Date: 01/31/2019**

STATUS: Approved by BOR 01/31/2019

HISTORICAL STATUS: Approved by LT 10/11/2018
Revised 11/05/15
Revised 06/09/15
Approved by BOR 8/15/13
Revised March 2013
Approved BOR 01/23/04
Approved MC 12/5/03
Approved MC 4/9/2003
Revised 3/2003
Revised MC 11/21/96
Approved MC 11/21/96
Revised 10/18/96
Approved by BOR 05/11/96
Approved MC 05/10/96
Revised 04/02/96
Approved by MO #39-94 dated 03/26/94
Rescinded MO #9-90 by MO #40-94 dated 03/26/94
Approved by MO #9-90 dated 01/21/90
MG-IA-1 01/10/90

I.   STATEWIDE STANDARD

POLICY: It is the policy of Texas State Technical College (TSTC) that the College maintain an internal audit activity to provide independent, objective assurance and consulting services designed to add value and improve the College's operations in accordance with the Texas Internal Auditing Act, The Institute of Internal Auditors' *International Professional Practices Framework*, and the Comptroller General of the United States *Government Auditing Standards*. The Internal Audit Department shall maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to ensure their technical competence. The Internal Audit Department shall have unrestricted access to all functions, records, property, and personnel, exercising prudence in the use of these resources.

II. PERTINENT INFORMATION

The International Professional Practices Framework consists of the Definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. Compliance to these elements shall be mandatory.

III. GENERAL GUIDELINES

The Internal Audit Department shall act in an ethical manner and follow standards prescribed by the Institute of Internal Auditors. To follow those standards, the department and its personnel shall have access to all records necessary to offer an opinion, shall be accountable to the Board of Regents (BOR) and management, and shall have prescribed responsibilities.

IV. DEFINITIONS

Internal Auditing: A TSTC department that provides independent, objective assurance and consulting services designed to add value and improve TSTC's operations. The department shall help TSTC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

V. DELEGATION OF AUTHORITY

To provide for the independence of the TSTC Internal Audit Department, its personnel shall report to a Director of Audits (Director), who shall report directly to the Audit Committee of the BOR, and, administratively, to the Chancellor.

The Director and staff are authorized to:
- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

- Obtain the necessary assistance of personnel within units of TSTC where they perform audits, as well as other specialized services.

The Director and staff are not authorized to:
- Perform any operational duties for TSTC.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any TSTC employee outside of the TSTC Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

VI.   PERFORMANCE STANDARDS

1. The internal audit activity meets or exceeds the requirements outlined by the International Standards for the Professional Practice of Internal Auditing.

2. Reviews and appraisals of federal programs, activities, and functions are performed in accordance with the Comptroller General of the United States *Government Auditing Standards*.

3. The Director and staff of the Internal Audit Department maintain technical competence through continuing education consistent with the requirements for certified public accountants or certified internal auditors that is applicable to the College's environment.

APPENDIX

VII. RELATED STATEWIDE STANDARDS. LEGAL CITATIONS, OR SUPPORTING DOCUMENTS

Texas Government Code, Title 10, Subtitle C, Chapter 2102
SOS GA 1.16, Reporting of Wrongdoing or Retaliation
International Standards for the Professional Practice of Internal Auditing
The Comptroller General of the United States Government Auditing Standards
Texas Education Code, Section 51.9337(h)

VIII. OPERATING REQUIREMENTS

Code of Ethics
The staff within the TSTC Internal Audit Department shall be required to act with integrity, objectivity, confidentiality, and competency in accordance with the *The International Professional Practices Framework's* Code of Ethics. The purpose of the Code of Ethics is to promote an ethical culture within the internal audit profession. It forms the basis of the trust placed on the department and its personnel by management and the BOR.

Standards
The College has imposed the specific requirements by which The TSTC Internal Audit Department shall perform its work. Examples include requiring a quality improvement program, professional development, and due professional care.

The scope of work of the TSTC Internal Audit Department shall be to determine whether TSTC's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:
- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Plans and objectives are achieved.
- Quality and continuous improvement are fostered in TSTC's control process.
- Significant legislative or regulatory issues impacting TSTC are recognized and addressed properly.

Opportunities for improving management control, profitability, and TSTC's image may be identified during audits. Once identified, these opportunities must be communicated to the appropriate level of management.

Accountability

The Director, in the discharge of his/her duties, shall be accountable to management and the Audit Committee of the BOR to:

- Report significant issues related to the processes for controlling the activities of TSTC, including potential improvements to those processes, and to provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, and external audit).

Responsibility

The Director and staff shall be responsible for:

- Developing a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to the Audit Committee for review and approval. Along with the many other risks associated with College activities, the audit planning must consider risks specifically associated with contracts and contract administration. Additionally, an annual assessment must be made of contract compliance matters outlined in Texas Education Code, Section 51.9337(h), with the results being reported to the State Auditor.
- Implementing the annual audit plan, as approved, including, as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to to ensure professional standards are maintained.
- Establishing a quality assurance program by which the Director assures the operations of the TSTC Internal Audit Department.
- Performing consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluating and assessing significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issuing periodic reports to the Audit Committee and management summarizing results of audit activities.
- Keeping the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Assisting in the investigation of significant suspected fraudulent activities within TSTC and notifying management and the Audit Committee of the results.
- Considering the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to TSTC at a reasonable overall cost.

TEXAS STATE TECHNICAL COLLEGE
AUDIT COMMITTEE CHARTER

PURPOSE

To assist the Board of Regents in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and Texas State Technical College's (TSTC's) process for monitoring compliance with laws and regulations and the code of conduct.

COMPOSITION

The audit committee will consist of at least three and no more than four members of the Board of Regents. Upon recommendation of the Chairman of the Board of Regents and with approval of the Board members, the Chairman will appoint committee members and the committee chair.

Each committee member will be free from any financial, family or other material personal relationship that would interfere with his or her individual exercise of independent judgment. All members will have a working familiarity with basic finance and accounting practices and at least one member must have accounting or related financial management expertise.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Seek any information it requires from employees — all of whom are directed to cooperate with the committee's requests — or external parties.
- Meet with TSTC officers, external auditors, or outside counsel, as necessary.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements/Internal Controls

Management is responsible for the preparation, presentation and integrity of TSTC's financial statements and for the appropriateness of the accounting principles and reporting policies used by TSTC. The following shall be the principal duties and responsibilities of the committee regarding financial statements.

- Review the annual financial statements (contained within the annual financial report), and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Make inquiries of management and auditors concerning the adequacy of TSTC's system of internal controls.
- Understand the scope of internal auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review with management and the Director of Audits the charter, plans, activities, staffing and organizational structure of the internal audit activity.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the internal Director of Audits.
- Review the effectiveness of the internal audit activity, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing.*
- Review and monitor implementation of management's response to internal audit recommendations.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to TSTC personnel, and for monitoring compliance therewith.

Reporting

- Report to the Board of Regents about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the internal audit unit and the Board of Regents.
- Review any other reports TSTC issues that relate to committee responsibilities.

Other

- Perform other activities related to this charter as requested by the Board of Regents.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter as necessary, requesting board approval for proposed changes

Internal Audit Department

Audit Report

Bookstore Audit (20-003A)
TEXAS STATE TECHNICAL COLLEGE
Waco Campus

August 25, 2020

This audit was conducted in accordance with the

International Standards for the Professional Practice of Internal Auditing

of the Institute of Internal Auditors.

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Executive Summary

We recently completed an audit of the Bookstore (Bookstore) on the Waco campus. The audit verified various accounting controls related to revenue, costs of goods sold, inventory, cash, accounts receivable, sales tax payable, and accounts payable. We tested access to the Bookstore facilities and merchandise, IT access, and the general effectiveness and efficiency of its operations. Finally, we validated select general policy requirements (asset custody, employee training, leave usage). The majority of our audit focused on transactions and the state of operations in FY 2020 through March 31, 2020. However, we included select information from prior fiscal years to understand the operations in an historical context.

We determined the following:

Accounting controls	Were generally well designed and implemented. In a management letter, we recommended enhancements to certain controls related to merchandise receiving, journal entries, credit memos, and the recordation of daily deposits. We do not feel those recommendations were necessary to address in this report.
Security of merchandise & cash	Found controls to be appropriate to protect both merchandise (books, clothes, tools, etc.) and cash from theft. Our surprise counts of both inventory and cash were successful. We offered one management letter recommendation related to the documentation of surprise cash counts by Bookstore management.
Access to the facility	Found facilities were secured with locks, an alarm system, and security cameras. The access to all of these was limited to appropriate personnel.
Access to Colleague & ImageNow	Access to these systems by Bookstore personnel was appropriate.
Access to the Point of Sale System	Note: This was tested in a separate audit of the Point of Sale system, and will be addressed in a separate report.
Sales tax collections	Amount of sales tax collected and remitted to the State Comptroller is materially correct. Sales tax is calculated by the Point of Sale system at the time of individual sales.

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Employee Leave	Did not identify any questionable usage. We identified 2 isolated documentation exceptions that were passed to HR for awareness, but these appeared to be mere oversight errors.
Required training	Determined that training in FY 2019 was generally in compliance. We determined that one Bookstore employee has not completed required training for FY 2020. We reminded staff in our management letter to complete the training by August 31.
Prompt payment of invoices	Found payments to be made within 30 days of the related invoices.
Effectiveness and Efficiency	Found the operations effectively provide students the books and other supplies they require. We calculated inventory turnover and revenue per employee for fiscal years 2018 through 2020 to gauge efficiency. We found inventory turnover and revenue per employee drastically decreased in FY 2020 from prior years. These decreases were due to complete operating results for FY 2020 not yet being available at the time of this audit, but the COVID-19 shutdown has contributed. The ratios are discussed more fully in the Introduction section of this report. Recommendations were made in the management letter to consider setting goals for these ratios, and monitoring them.

Introduction

The Bookstore stocks all supplies students need to be successful in their program of study, to include text books, tools, school supplies, TSTC branded clothing, gifts, and snacks. In addition to the physical inventory on hand, the Bookstore also facilitates the Inclusive Access program which allows students to purchase digital learning materials rather than physical textbooks. The Bookstore is open Monday through Friday, and offers extended hours during peak times, such as registration and beginning of each semester. Purchases can also be made through the TSTC website. Purchases are paid by cash, credit cards, through financial aid, and by various sponsorships.

The following table illustrates revenue by merchandise type over 3 fiscal years:

Revenue by Merchandise Type

Type	FY 2018	FY 2019	FY 2020*
Books	$963,956.81	$858,178.55	$410,489.75
Tools	$540,310.14	$636,858.91	$248,236.25
Food	$14,999.01	$16,112.47	$12,166.75
Clothes, electronics, graduation supplies and misc.	$504,027.79	$451,741.26	$277,642.61
All	$2M	$2M	$950K
Percent of total revenue generated in August, September, January, and May	77%	76%	63%

* This revenue excludes July and August 2020. The highest volume of sales are typically generated in August.

As illustrated, the majority of all sales are generated in 4 months. Additionally, 45% of revenue is generated by the sales of books.

The following table illustrates the Cost of Goods Sold by merchandise type over the same 3 years, along with the associated inventory turnover ratios for each:

COGS & Inventory Turnover Ratio by Merchandise Type

Type	FY 2018		FY 2019		FY 2020	
	Amt	Ratio	Amt	Ratio	Amt	Ratio
Books	$700K	2.62	$600K	3.34	$275K	2.21
Tools	$400K	2.88	$450K	3.89	$175K	1.40
Food	$9k	4.13	$10K	4.18	$7.5K	2.64
Clothes, electronics, graduation supplies and misc.	$300K	2.05	$275K	1.95	$175K	1.04
All	$1.4M	2.51	$1.4M	3.10	$600K	1.38

As illustrated, books also account for the largest amount portion of the inventory costs. The turnover of books and tools also follow the semester cycles very closely. The consistently slowest turnover is associated with clothes, electronics, graduation supplies

and miscellaneous items. The food category has the highest profit margin of 39.84%. The lowest margin is with books at 27.07%.

The Bookstore has a staff of seven that includes the VP of Retail Operations, a store manager, one inventory specialist, three bookstore operations specialists, and one customer service associate. In fiscal years 2018, 2019, and 2020, the employee costs $329,008, $320,755, and $276,203, respectively. The revenue generated by employee for each fiscal year was $281,385, $279,216, and $135,376 respectively. Stated differently, the Bookstore generated $5.99 for each dollar of employment costs paid in FY 2018, $6.09 for each dollar of employment costs paid in FY 2019, and $3.43 for each dollar of employment costs paid in FY 2020.

The Bookstore generated a net operating income (loss) in fiscal years 2018, 2019, and 2020 (as of June 30, 2020) of $125,014, $168,917, and ($114,081.74) respectively. Again, at the time of this audit, the final operating results were not available for FY 2020.

Objectives

The objectives of the audit were to ensure accounting controls were appropriate over Bookstore related accounts, to verify the Bookstore operated effectively and efficiently to achieve it's purpose, and to verify select compliance objectives related to IT access, leave usage, asset custody and training are being met.

Scope & Methodology

The scope of our audit included all Bookstore transactions and processes in FY 2020 through March 31, 2020. To accomplish our objectives, we documented key internal controls, observed various practices and procedures, performed surprise cash and inventory counts, reviewed relevant general ledger and Point of Sale system reports, and spoke with Bookstore and Accounting staff with Bookstore related responsibilities. We also reviewed reports related to IT access and facility safeguards.   We utilized various Statewide Operating Standards in our compliance testing to include SOS FA 1.6 Taking of Consumable Inventories, SOS FA 2.1 Establishment and Control of Petty Cash, SOS FA 2.02 Control of Cash, Cash Receipts, and Cash Refunds, SOS FA 1.19 Real and Personal Property Accountability, SOS HR 2.3.12 Employee Leaves and Holidays, and SOS HR 2.3.13 Family & Medical Leave.

General Observations

Bookstore staff provides excellent customer service. The facilities are appropriately restricted to only authorized personnel, and the book inventory is maintained behind a restricted area to limit pilferage. Staff have strong processes for ensuring the appropriate inventory is present to support learning needs. There is a Point of Sale system that has been implemented which accurately records sales and sales tax at the proper amounts. Accounting personnel have process in place to accurately record operating results. Staff

from the Bookstore and Accounting were responsive to our requests and professional in our interactions. It is obvious they take pride in the services they provide.
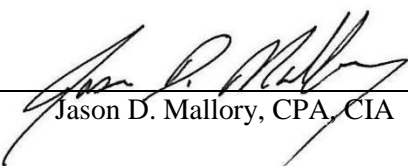
Summary of Finding

No material exceptions were identified.

Opinion

Based on the audit work performed, accounting controls are appropriate to ensure Bookstore operating results are accurately reflected in accounting records. The Bookstore operates effectively and efficiently, with opportunities existing to better monitor its efficiency by measuring select financial ratios. Finally, no significant compliance issues were noted as they related to IT access, leave usage, training, and asset custody.

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

August 25, 2020
Date

Internal Audit Department

Audit Report

**Application Audit of
WinPrism (20-026A)
of**

TEXAS STATE TECHNICAL COLLEGE

September 21, 2020

This audit was conducted in accordance with the

International Standards for the Professional Practice of Internal Auditing

of the Institute of Internal Auditors.

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Executive Summary

We recently completed an audit of the WinPrism application as of August 31, 2020. This is the point of sale system used by the bookstores. The audit focused on application controls required in Texas Administrative Code 202 (TAC 202). Forty-nine controls in 13 TAC domains were tested. We verified system access, periodic maintenance, training, audit logs, and baseline configurations. We also tested controls related to access, security awareness and training, audit and accountability safeguards, configuration management, and contingency planning. Finally, we tested media protection, risk assessment and purchasing processes, as well as system integrity.

The majority of the controls required by TAC 202 have not yet been implemented. We identified 30 controls that still need to either be implemented or improved. We feel these issues warranted comment in this report to ensure future follow-up testing and correction. The following table summarizes the areas reviewed, and results:

Control Family	Implemented	Implemented with Recommendations	Not Implemented	Required
Access Controls	1	2	5	8
Awareness and Training Controls	1	1	1	3
Audit and Accountability Controls	0	0	9	9
Configuration Management	1	0	3	4
Contingency Planning Controls	1	1	3	5
Identification and Authentication Controls	4	0	1	5
Maintenance Controls	1	0	1	2
Media Protection Controls	1	0	0	1
Personnel Security Controls	2	0	2	4
Risk Assessment Controls	0	0	1	1
System and Services Acquisition Controls	0	1	1	2

System and Communications Protection Controls	2	0	1	3
System and Information Integrity Controls	0	0	2	2
Total	**14**	**5**	**30**	**49**

Introduction

The College implemented WinPRISM in March 2009. WinPRISM, developed by Nebraska Book Company (NBC), is a Windows based client/server application used to run point of sale registers in the bookstores and workstations in the back office. Initial costs associated with the application included a software fee of $88,751, installation fee of $12,100, and training fee of $22,500. Annually, there is a $26,171 service fee. In 2018, NBC merged with RATEX Business Solutions, introducing a new company named PrismRBS. The initial agreement with WinPRISM was amended in 2019 to reflect the merger.

Dollars On The Net payment gateway by Shift4 is also integrated with WinPRISM. This application allows processing of credit and debit cards using layered security of True P2PE and True Tokenization. When employed together, these security solutions help to ensure that sensitive cardholder data (CHD) is not stored, processed, or transmitted.

The WinPRISM application currently has 21 users. The users include 3 application administrators within the Office of Information Technology (OIT), 3 bookstore managers, and several bookstore associates.

Objectives

The objective of the audit was to ensure TAC 202 minimally required application level controls, especially security related ones, are in place and working as intended for WinPRISM. Since payment card information is processed within the WinPRISM, we feel priority should first be given to access and security controls.

Scope & Methodology

The scope of our audit included all minimally required TAC 202 application controls as it relates to WinPRISM. The Texas Department of Information Resources (DIR) Security Controls Standards Catalog, and NIST Special Publication 800-53A revision 4 formed the basis of our testing. To accomplish our objectives, we reviewed access, policies, system configurations, and other related information. We reviewed system configuration reports, observed functionality, and interviewed key OIT personnel responsible for the administration of the application.

General Observations

The WinPRISM system uses Shift4 for tokenization so that neither card numbers nor magnetic stripe or other sensitive information is retained when card information is swiped/entered. In addition, a 128-bit encryption and HTTPS encrypted tunnel is used to encrypt data for online shopping. Users can only access the application with the proper identification or authentication. User password information is masked upon entry. There is a process in place to authenticate, connect, and monitor third party remote access/session when service/maintenance is performed.

Summary of Finding

We identified found 30 of the 49 required controls that still need to be either implemented or substantially improved.

Opinion

Based on the audit work performed, 30 required controls still either need to be implemented or improved for WinPRISM. With this software being a point of sale system for all of the bookstores, and with credit card transactions processed through it, we recommend controls associated with access and security be given the first priority. The details of the controls and our results were provided to management in a separate document. They are not detailed in this report so as to limit risk associated with publishing specific areas needing attention, but details are available upon request.

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   September 21, 2020
                                                                          Date

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AUDIT FINDING DETAIL

Finding #1:   We identified found 30 of the 49 required controls that still need to be either implemented or substantially improved.

Criterion: The TAC 202 Security Controls Standards Catalog specifies the minimum information security controls to implement for all State information and information systems. For each required control, Internal Audit inquired and reviewed policies and procedures, third party audits, agreements, users' access roles and privileges, security settings, etc.

We determined that the majority of the information security controls were not implemented and by the required date. Controls in the following families were found to be either not implemented, or deficient:

Control Family	Not Implemented
Access Controls	5
Awareness and Training Controls	1
Audit and Accountability Controls	9
Configuration Management	3
Contingency Planning Controls	3
Identification and Authentication Controls	1
Maintenance Controls	1
Personnel Security Controls	2
Risk Assessment Controls	1
System and Services Acquisition Controls	1
System and Communications Protection Controls	1
System and Information Integrity Controls	2
Total	**30**

Consequences: Being out of compliance with TAC202 controls increases the likelihood of data leaks, data exfiltration, data deletion, account breaches, malware, and malicious insider attacks.

Possible Solution: We recommend the specific control deficiencies provided to management for the WinPRISM application be implemented.

Management Response

Management of the IT Compliance department agrees with the observations made in the audit. Deficiencies in the Access and Security areas were the result of not having enough monitored security and access controls in place. By March 30, 2021, the office of Information Technology

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will remediate no less than 30 security controls in the WinPRism system.   This information will be subject to periodic audit by an external auditor and the Director of Audits on a yearly basis. Larry McKee, Executive Director of IT Compliance, will be responsible for implementation of this corrective action plan.

Internal Audit Department

Audit Report

Audit of Onsite Support Department (20-032A)
TEXAS STATE TECHNICAL COLLEGE
Office of Information Technology

September 30, 2020

This audit was conducted in accordance with the

International Standards for the Professional Practice of Internal Auditing

Of the Institute of Internal Auditors.

Executive Summary

We recently completed an audit of the processes performed by field technicians in the Onsite Support Department (OS Department) of the Office of Information Technology through September 11, 2020. Our tests included all current operations and processes to ensure effective and efficient services are provided timely to employees and students, and that appropriate controls are in place over those services.

The primary objective of this audit was to ensure the confidentiality, accountability, availability and effectiveness of the OS Department. To do that, we verified policies and procedures, reviewed the training of personnel to ensure they are capable of performing their responsibilities in an environment that handles diverse IT issues and requests, and reviewed staff scheduling to ensure coverage was optimal during peak business hours. Finally, we verified ticket tracking and the timeliness of services.

We determined there are appropriate staffing levels to meet the needs of employees and students at each campus. Requests for services were generally resolved very rapidly, with a robust tracking system in place for all requests. Appropriate safeguards are in place over the systems field technicians have access to, and there are policies and procedures to guide the performance of related work.

We found some opportunities for the OS Department to improve its operations. Some supporting policies, training guidelines, and similar documentation needed to be updated. We particularly noticed that the escalation procedures fell within those guidelines that needed updating. There were also some MDF/IDF networking closets where access needed to be better tracked. And finally, there was an opportunity to gauge its customer service perception by implementing a periodic customer service survey.

Introduction

The OS Department is responsible for supporting the IT needs of employees and students at each campus. Their mission is to facilitate the effective use of technology so that employees and students succeed. They provide technical support for equipment and software. Some of their common roles include installing and setting up new computers, moving computers, assisting with the safe disposal of computer equipment, and resolving various issues that cannot be resolved by the Help Desk. Field Technicians are available Monday through Friday 8 AM to 5 PM, and as needs dictate. Field Technicians are jacks of all trades within IT, requiring them to be aware of, and educated on, changes to the current IT environment. While there are policies and procedures that define steps to resolve various requests, the technicians must be capable of resolving innumerable issues.

The OS Department is overseen by a Director, who reports directly to the the Executive Vice President/OIT. There are 12 onsite support technicians who provide support all campus locations,

3 of which are support managers/lead technicians. These employees are strategically placed throughout the State in manner to best provide timely services.

Objectives

The detailed objectives of this audit were to:

- Ensure user support objectives were clearly developed.
- Verify sufficient controls have been developed and implemented to reasonably ensure all problems reported by users are documented, with resolutions initiated timely.
- Verify sufficient controls have been developed and implemented to escalate issues according to priority.
- Verify employees and students are informed of issues and problems within the computing environment.
- Verify sufficient controls in place for physical and logical access to IT resources by field technicians.
- Ensure procedures exist for the appropriate handling of IT assets.

Scope & Methodology

The scope of the audit included all customer requests and inquiries, and procedures followed by the Onsite Support Department in FY 2020 through September 11, 2020. To accomplish our audit objectives, we reviewed current policies and procedures, training documentation, and supporting logs. We interviewed field technicians, and reviewed samples of requests and related work. We reviewed system access held by field technicians to ensure their access was not so broad as to create other risks, while still allowing them to perform their responsibilities. Their unrestricted access to certain areas was reviewed, and we scrutinized their methods of tracking IT assets they touched. The following industry standards were utilized in our testing:

- IS Benchmarks - Baseline Configurations for Secure Operating System and Application Deployment
- NIST 800-53 rev4 - Security and Privacy Controls for Federal Information Systems and Organizations
- NIST 800-115 - Technical Guide to Information Security Testing and Assessment
- Auditnet website – Global resource for Auditors

General Observations

The OS Department works in concert with the Help Desk to provide timely IT support to employees and students. There are written policies and procedures to aid field technicians in reporting, escalating and resolving customer issues. They utilize Team Dynamix to track reported issues and their resolutions. Staff maintain competencies by attending relevant trainings offered by the College and other providers. Operations are closely monitored and scheduled. Logical access is granted to field technicians based on job responsibilities/needs. Finally, there is an organizational structure which ensures staff are adequately supervised.
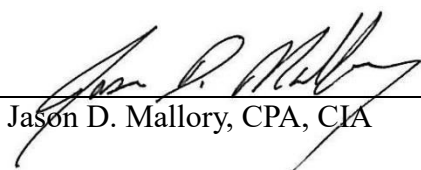
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Summary of Finding

We found opportunities for the OS Department to improve. Some supporting policies, training guidelines, and similar documentation needed to be updated. We particularly noticed that the escalation procedures fell within those guidelines that needed updating. There were also some MDF/IDF networking closets where access needed to be better tracked.   And finally, there was an opportunity to gauge customer service perception by implementing a periodic customer service survey.

Opinion

Based on the audit work performed, the Onsite Support Department provides timely and effective IT support to employees and students at each campus. There are opportunities, as discussed in the Audit Finding Detail section, for the service to improve. These improvements will only serve to enhance the quality of the services that are already being provided.

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

_____   _____
Jason D. Mallory, CPA, CIA   September 30, 2020
                                                                                        Date

AUDIT FINDING DETAIL

Finding #1: We found opportunities for the OS Department to improve. Some supporting policies, training guidelines, and similar documentation needed to be updated. We particularly noticed that the escalation procedures fell within those guidelines that needed updating. There were also some MDF/IDF networking closets where access needed to be better tracked.   And finally, there was an opportunity to gauge customer service perception by implementing a periodic customer service survey.

Criterion: We reviewed training requirements, ticket handling processes, ticket escalation processes, and support documents. We also reviewed policies that govern field support operations, and inquired about customer feedback.

We found the following procedures that should be enhanced:

- Operational procedures have not been updated to reflect recent changes in the IT environment. The OS Department mission statement, while still relevant, has also not been revisited recently, either.
- Formal metrics have not been developed to assist with measuring effectiveness, such as the expected time to complete routine requests.
- The ticket workflow process documentation does not reflect, in some instances, the actual workflow being followed.
- Training documentation is not being consistently maintained.
- There is not a periodic request for customer feedback. This is especially important since their role is very customer focused.
- And, there was inadequate documentation on one campus of access to some areas containing IT equipment. The master key to MDF/IDF closets shared by all field technicians is not logged when used. Furthermore, electronic door locks, where applicable, have not been reset on that same campus and another in several years.

Consequences: Failure to address the noted areas could result in increased errors and issues not being resolved timely, and access to areas that is not needed.

Possible Solution: We recommend that all documentation used for training, ticket work flow, and escalations be reviewed and updated. We recommend defined metrics, such as time to resolution, be developed and tracked. And, we recommend a customer service survey be implemented on a periodic basis to help identify service levels provided. For physical access deficiencies, we recommend tracking the use of the master keys through a log, and changing the door codes to all MDF/IDF rooms periodically.   Ideally, assigned codes should be unique to the assigned employees.

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Management Response

Management of the Onsite Support Department agrees with the observations made in the audit. The opportunities to improve were simply due to oversight in maintaining supporting documentation, in most instances. By November 30, 2020, all outdated documentation will be updated and better maintained. We will also develop a more efficient method for tracking access to the MDF/IDF closets by field technicians.   Finally, a customer service survey will be implemented to assist with gauging our service levels. Jill Schulte, Director of OS Support, will be responsible for the implementation of all tasks within this corrective action plan.

Internal Audit Department

Audit Report

Bookstore Audit (20-033A)
TEXAS STATE TECHNICAL COLLEGE
Harlingen Campus

October 7, 2020

This audit was conducted in accordance with the

International Standards for the Professional Practice of Internal Auditing

of the Institute of Internal Auditors.

Executive Summary

We recently completed an audit of the Bookstore (Bookstore) on the Harlingen campus. The audit verified various accounting controls related to revenue, costs of goods sold, inventory, cash, accounts receivable, sales tax payable, and accounts payable. We tested access to the Bookstore facilities and merchandise, IT access, and the general effectiveness and efficiency of its operations. Finally, we validated select general policy requirements (asset custody, employee training, leave usage). The majority of our audit focused on transactions and the state of operations in FY 2020 through August 31, 2020. However, we included select information from prior fiscal years to understand the operations in an historical context.

We determined the following:

Accounting controls	Were generally well designed and implemented. Recommendations to enhance certain controls related to inclusive sales, sales paid for by Tech Bucks, and accounts payable and their associated payments were issued in a management letter.
Security of merchandise & cash	Included in this report is a finding detailing needed enhancements related to better securing the facilities. Our surprise cash counts were accurate, and we determined that periodic surprise cash counts by accounting are being performed. We also verified annual inventories of merchandise are performed, but offered recommendations to enhance that process in the management letter.
Access to the facility	Found keys/swipe card and security cameras are in place; however, we identified needed enhancements as we found inoperable cameras and access that was inappropriate. As stated above, this is detailed in the finding section of this report.
Access to Colleague & ImageNow	Access to the systems was appropriate. We identified one instance of access that was no longer needed. We issued a recommendation in a management letter to remove that access.
Access to the Point of Sale System	In a concurrent audit of the POS, Audit 20-026A, we identified access exceptions.

	Those exceptions are addressed in that audit report.
Sales tax collections	Amount of sales tax collected and remitted to the State Comptroller is materially correct. Sales tax is automatically calculated by the Point of Sale system at the time of individual sales.
Employee Leave	Leave was appropriate, and followed applicable leave related policies.
Required training	Determined that required training in FY 2020 was completed.
Prompt payment of invoices	Determined there were opportunities to enhance payment processes to ensure more timely payments are made to vendors. These were addressed in a management letter, rather than this report because the exceptions were not systemic.
Effectiveness and Efficiency	Found the operations effectively provide students the books and other supplies they require. We calculated inventory turnover and revenue per employee for fiscal years 2018 through 2020 to gauge efficiency. We found inventory turnover and revenue per employee drastically decreased in FY 2020 from prior years. The COVID-19 impacts most assuredly contributed to this decrease. The ratios are discussed more fully in the Introduction section of this report.

Introduction

The Bookstore stocks all supplies students need to be successful in their program of study, to include text books, tools, school supplies, TSTC branded clothing, gifts, and snacks. In addition to the physical inventory on hand, the Bookstore also facilitates the Inclusive Access program which allows students to purchase digital learning materials instead of physical textbooks. The Bookstore is open Monday through Friday, and offers extended hours during peak times, such as registration and at the beginning of each semester. Purchases can also be made online through the TSTC website. Purchases are paid by cash, credit cards, through financial aid, and by various sponsorships.

The following table illustrates revenue by merchandise type over 3 fiscal years:

Revenue by Merchandise Type

Type	FY 2018	FY 2019	FY 2020
Books	$798,068	$616,895	$346,271
Tools	$22,727	$52,852	$106,228
Food	$93,707	$94,160	$63,116
Clothes, electronics, graduation supplies, gifts and misc.	$183,220	$199,539	$135,062
All	$1.1M	$963K	$651K
Percent of total revenue generated in August, September, January, and May	82%	75%	67%

As illustrated, the majority of all sales are generated in 4 months. Additionally, the sale of books accounted for an average of 63% of revenue for this 3 year period.

The following table illustrates the Cost of Goods Sold by merchandise type over the same 3 years, along with the associated inventory turnover ratios for each:

COGS & Inventory Turnover Ratio by Merchandise Type

Type	FY 2018		FY 2019		FY 2020	
	Amt	Ratio	Amt	Ratio	Amt	Ratio
Books	$524K	1.86	$429K	1.99	$238K	1.89
Tools	$25K	7.49	$18K	3.75	$83K	2.49
Food	$56K	14.58	$57K	11.05	$40K	7.29
Clothes, electronics, graduation supplies, gifts and misc.	$110K	2.15	$126K	2.60	$84K	1.38
All	$715K	2.10	$630K	2.30	$445K	1.97

As illustrated, books account for the largest portion of the inventory costs. The turnover of books and tools follow the semester cycles very closely, as well. The consistently slowest turnover is associated with books, and the highest with food. For fiscal year 2020, food and clothes, electronics, graduation supplies, gifts and misc. had the highest combined profit margin of approximately 37%. The lowest margin was tools at 22%.

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The Bookstore has a manager, one inventory specialist, one bookstore operations associate, and one customer service associate. In fiscal years 2018, 2019, and 2020, the employee costs were $206,337, $209,726, and $196,496, respectively. The revenue generated by employee for each fiscal year was $274,431, $240,861, and $162,670 respectively. Stated differently, the Bookstore generated $5.32 for each dollar of employment costs paid in FY 2018, $4.59 for each dollar of employment costs paid in FY 2019, and $3.31 for each dollar of employment costs paid in FY 2020.

The Bookstore generated a net operating income (loss) in fiscal years 2018, 2019, and 2020 of $22,894.17, ($6,546.53), and ($79,750.88), respectively.

Objectives

The objectives of the audit were to ensure accounting controls were appropriate over Bookstore related accounts, the Bookstore operated effectively and efficiently to achieve its purpose, and to verify select compliance objectives related to IT access, leave usage, asset custody and training are being met.

Scope & Methodology

The scope of our audit included all Bookstore transactions and processes in FY 2020 through August 31, 2020. To accomplish our objectives, we documented key internal controls, observed various practices and procedures, performed surprise cash and inventory counts, reviewed relevant general ledger and Point of Sale system reports, and spoke with Bookstore and Accounting staff with Bookstore related responsibilities. We also reviewed reports related to IT access and facility safeguards. We utilized various Statewide Operating Standards in our compliance testing to include SOS FA 1.6 Taking of Consumable Inventories, SOS FA 2.1 Establishment and Control of Petty Cash, SOS FA 2.02 Control of Cash, Cash Receipts, and Cash Refunds, SOS FA 1.19 Real and Personal Property Accountability, SOS HR 2.3.12 Employee Leaves and Holidays, and SOS HR 2.3.13 Family & Medical Leave.

General Observations

Bookstore staff provides excellent customer service. Book inventory is maintained in the back of the store to limit pilferage, periodic cash counts on petty cash are performed and all staff completed the 2020 annual required trainings. Staff have strong processes for ensuring the appropriate inventory is present to support learning needs. There is a Point of Sale system that has been implemented which accurately records sales at the proper amounts. Accounting personnel have process in place to accurately reflect operating results. Staff from the Bookstore were responsive to our requests and professional in our interactions, despite the unforeseeable circumstances surrounding the pandemic. It is obvious they take pride in the services they provide.
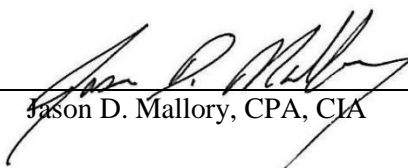
Summary of Finding

Access to the bookstore needs to be better controlled.

Opinion

Based on the audit work performed, accounting controls are generally appropriate to ensure Bookstore operating results are accurately reflected in accounting records. The Bookstore operates effectively and efficiently, but there are opportunities to better monitor its efficiency by measuring select financial ratios. Additionally, no significant compliance issues were noted as they related to IT access, leave usage, and training. Nevertheless, controls related to facility access need attention.

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	October 7, 2020
	Date

AUDIT FINDING DETAIL

Finding #1: Access to the bookstore needs to be better controlled.

Criterion: We reviewed physical access to the Bookstore to ensure it was properly restricted and monitored. This included a review of security cameras and key and swipe card access, as well as management and access to the security alarm. We identified the following:

- There is no record of who has codes to the security alarm. We contacted the security company and learned a request to change or add codes was last made in early 2014. There has been employee turnover since that time.
- Two of the 12 security cameras are inoperable.
- An employee outside of the bookstore has swipe card access to a bookstore office where the safe is located. Access to the bookstore is possible through that office.

Consequences: Merchandise not being adequately safeguarded from pilferage.

Possible Solution: Internal Audit recommends the Bookstore change all alarm codes, and implement a process of doing similar as employees leave. We also recommend the Manager receive training offered by the alarm company on issuing/removing access codes. We also recommend the 2 inoperable cameras be replaced, and the inappropriate access be removed.

Management Response

Management of the Bookstore agrees there is no record of who has alarm codes, and that no request to change or add codes has been made since early 2014. By November 30th, 2020, the Bookstore Manager will be trained to clear all alarm codes, and reassign new codes. The codes will be changed at least annually, and as staff turns over. Arturo Solano, the Bookstore Manager will be responsible for implementation of this corrective action plan.

Management of the Bookstore agrees two security cameras were inoperable. This was due to recent remodeling of the Bookstore. By November 30th, 2020, the Bookstore Manager will place a request with the TSTC OIT department to reposition the two inoperable cameras. Additionally, the cameras will be checked for operation on at least and annual basis during the annual steward inventory process. Arturo Solano, the Bookstore Manager will be responsible for implementation of this corrective action plan.

Management of the Bookstore agrees one employee outside the Bookstore has swipe card access to the bookstore office where the safe is located, and that employee did not need such access. By October 31, 2020, a request to Campus Police will be made to remove the access. On a yearly basis a patron access report will be requested from Campus Police by the Bookstore Manager to validate access. Arturo Solano, the Bookstore Manager 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: October 7, 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 audits 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 July 1 through September 30, 2020, **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
July 2020 – Sept 2020	53	19	12	2	86
April 2020 – June 2020	53	19	12	2	86
Change	0	0	0	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
July 2020 – Sept 2020	33	11	5	0	49
April 2020 – June 2020	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
July 2020 – Sept 2020	25	15	9	0	49

		Implemented with	Not	Risk	
	Implemented	Recommendations	Implemented	Accepted	Total
April 2020 – June 2020	23	14	12	0	49
Difference	+2	+1	-3	0	

Note: AC-3 & AC-5 pending review at 9/30/20.

Maxient

Original Audit: February 25, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
July 2020 – Sept 2020	33	3	13	0	49
April 2020 – June 2020	33	3	13	0	49
Difference	0	0	0	0	

Note: AU-5, AU-6, & AU-12 pending review at 9/30/20.

Google Suite

Original Audit: December 10, 2018

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
July 2020 – Sept 2020	36	7	6	0	49
April 2020 – June 2020	36	7	6	0	49
Difference	0	0	0	0	

Target X

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
July 2020 – Sept 2020	26	1	22	0	49
April 2020 – June 2020	25	1	23	0	49
Difference	+1	0	-1	0	

Note: AC-8, AU-3, AU-4, AU-5, AU-9, AU-11, & AU-12 pending review at 9/30/20.

Informatica Server

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
July 2020 – Sept 2020	38	0	11	0	49
April 2020 – June 2020	38	0	11	0	49
Difference	0	0	0	0	

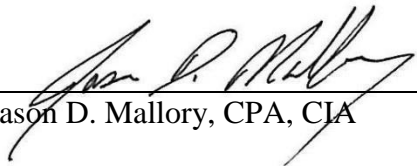*Note: AU-4, AU-5, AU-6, & AU-11 pending review at 9/30/20.*

WinPrism   Original Audit: September 21, 2020

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
July 2020 – Sept 2020	14	5	30	0	49
April 2020 – June 2020	Not yet audited	Not yet audited	Not yet audited	Not yet audited	Not yet audited
Difference	14	5	30	0	

Submitted by:

_____   _____
Jason D. Mallory, CPA, CIA   October 7, 2020
                                          Date

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

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September 8, 2020

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

Dear Mr. Reeser:

This audit letter contains the results of the duplicate payment desk audit conducted at the Texas State Technical College (College).

The objective of this audit was to investigate potential duplicate payments. This audit was performed at certain agencies based on an analytical report produced from the Uniform Statewide Accounting System (USAS) showing potential duplicate payments from Sept. 1, 2015, through Aug. 31, 2018. The audit was conducted in accordance with Texas Government Code, Section 403.071.

Auditors developed a sample of 50 potential duplicate payment transactions totaling $55,013.17 and reviewed the supporting documentation for each transaction to determine whether the College processed a duplicate payment. Auditors also assessed whether the College recouped or began the process of recouping any overpayments.

Based on the review of the responses and documentation provided by the College to support the 50 potential duplicate payment transactions, auditors identified four duplicate payments totaling $1,444.70. Three duplicate payments were purchase transactions and one duplicate payment was a travel transaction. As a result of the audit, the College recouped all four overpayments. The table below presents a detailed list of the four duplicate payment findings.

Document Number	Invoice Number	Payment Date	Amount	Recouped
21312395	0001966782-10.03.15	11/24/2015	$669.40	$669.40
21312395	0001966782-10.03.15	11/24/2015	$295.00	$295.00
11353703	03.02.16	8/26/2016	$240.30	$240.30
21348090	0001965917-05.03.16	8/05/2016	$240.00	$240.00

Comptroller.Texas.Gov   512-463-4444
P.O. Box 13528   Toll Free: 1-800-531-5441 ext: 3-4444
Austin, Texas 78711-3528   Fax: 512-463-4902

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Auditors also provided the College an additional document listing 295 potential duplicate payments that were not part of the sample. These payments totaled $3,147,610.79 and were processed from Sept. 1, 2015, through Aug. 31, 2018. Auditors asked the College to review these transactions, research whether they were or were not duplicates, and return the findings to us. The College returned the findings on Oct. 28, 2019, and stated that its investigation identified 13 duplicate payments totaling $43,219.29. Auditors did not verify the accuracy of the findings reported by the College.

We recommend that the College strengthen its current procedures for identifying duplicate purchase and travel payments. In addition, the College should recoup the additional 13 overpayments identified during its own investigation unless the College determines it is not cost effective to do so.

The final report will include results for all the agencies selected for the duplicate payment audit and will be published in the near future. Thank you for your cooperation. If we can provide any further assistance, please contact max.viescas@cpa.texas.gov or 512-305-8659.

Sincerely,

Clarisse Roquemore
Manager
Statewide Fiscal Oversight
Fiscal Management Division

cc: Jonathan Hoekstra, Vice Chancellor & Chief Financial Officer, Texas State Technical College
        Peggy Wilkey, Executive Director – Accounts Payable, Texas State Technical College
        Max Viescas, Auditor, Texas Comptroller of Public Accounts

LAURA KOERNER
US Navy Veteran
Chairwoman

KEVIN BARBER
US Army Veteran
Vice Chair

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Member

MARY LOPEZ DALE
US Army Veteran
Member

THOMAS P. PALLADINO
Colonel, US Army (Retired)
Executive Director

TEXAS VETERANS COMMISSION

August 10, 2020

Ms. Paula Arredondo, Executive Registrar
Texas State Technical College Harlingen
1902 N. Loop 499
Harlingen, TX 78550

Dear Ms. Arredondo,

Thank you to you and your staff for the courtesy and cooperation shown during the Texas Veterans Commission compliance survey conducted remotely for your facility on August 5, 2020. This letter will provide you with information about the following:

- What we reviewed.
- What we found.
- What we have done.
- What you should do.
- Where to obtain additional information.

What We Reviewed

This was a routine compliance survey. We examined the records of Fifteen non-chapter 31 VA-supported, one non-VA supported and one Chapter 31 students who are currently enrolled or were recently enrolled at Texas State Technical College Harlingen.

What We Found

LINE 4. THE FACILITY MAINTAINS A RECORD OF PREVIOUS EDUCATION AND TRAINING OF VA BENEFICIARIES, HAS GRANTED APPROPRIATE CREDIT AND HAS REPORTED THE GRANT TO THE BENEFICIARIES (38 CFR 21.4253, 21.4254, 21.4263)

- In the case of D Guerra:
  - The school failed to obtain post-secondary transcripts and military transcripts as required to verify records of previous education.
- In the case of M Garcia:
  - The school failed to obtain post-secondary transcripts as required to verify records of previous education.

LINE 12. THE FACILITY PROMPTLY NOTIFIED VA OF ANY CHANGES IN CREDIT OR CLOCK HOURS, OR TUITION & FEES, THAT WOULD AFFECT THE AMOUNT OF PAYMENT TO BENEFICIARIES (38 CFR 21.4203, 21.7156(b), 21.9735)

- In the case of A Malone:
  - The school failed to notify DVA of the veteran's change of student status within 30 days allowable under provisions of the GI Bill®.

What We Have Done

- We have updated our administrative records to indicate the findings and results of this compliance survey.

- We have determined that the results of this compliance survey justify our scheduling the next VA compliance survey at your school on a routine cycle.

What You Should Do

No written response to this letter is required. Please convey my appreciation to Mr. Steve Guevara and the entire staff for their service to our veterans and beneficiaries. We believe that the VA-supported students at Texas State Technical College Harlingen are being very well served.

Where to Obtain Additional Information

If you have questions concerning this compliance survey, you may address them to Mr. Eric Aguilar, Program Specialist at (361) 443-1262 or by email at Eric.Aguilar@tvc.texas.gov.

Thank you for your continued support of VA education benefits programs.

Sincerely,

for
Sue E. Jevning, Director
Veterans Education
Texas Veterans Commission

EA:IHL:S1615:FC14967443

10/8/2020

Dear Ms. Kubitza

The DPS CJIS Security Office audited the Texas State Technical College at Waco Police Department on Wednesday, August 19th, 2020. Based on the security audit, the agency was found to be compliant with the CJIS Security Policy requirements. Also note that you may review past audits at any time by returning to the Online CJIS Audit site for review.

The agency's next security audit will be scheduled in approximately three (3) years.

If you have any questions regarding the security audit, please contact either myself or Stephen (Doc) Petty, CJIS ISO – Texas.

The DPS CJIS Security Office commends the agency for its audit results and encourages the agency to continue the efforts to maintain full compliance.
Sincerely,

Stephen "Doc" Petty
(512) 424-7186
Stephen.petty@dps.texas.gov
CJIS Information Security Officer
Crime Records Service
Texas Department of Public Safety

Sent by:

Will Frame
Texas Department of Public Safety
Law Enforcement Support
CJIS Technical Auditor
Office: 512.424.7401
E-Mail: william.frame@dps.texas.gov

CJIS Security Office: 512.424.5686 **Fax:** 512.424.5599
securitycommittee@dps.texas.gov
http://www.dps.texas.gov/securityreview

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.