# Board of Regents Meeting

Audit Committee Meeting

January 31, 2019
Waco, Texas

**TSTC**
Texas State
Technical College ™

# TEXAS STATE TECHNICAL COLLEGE

## Board of Regents
## Audit Committee Meeting

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

Thursday, January 31, 2019

10:30a.m.

AGENDA

I.    MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR IVAN ANDARZA

II.   COMMITTEE CHAIR COMMENTS

III.  MINUTE ORDERS

IV.   REPORTS:

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 the preceding meetings. The estimated times are approximate and may be adjusted as required with no prior notice. Lunch will be at approximately noon.

V.    CHANCELLOR COMMENTS

VI.   BOARD COMMENTS

VII.  ADJOURN

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

| | | | |
|---|---|---|---|
| **Board Meeting Date:** | January 31, 2019 | **Proposed Minute Order #:** | 01-19(c) |
| **Proposed By:** | Jason D. Mallory, Director of Audits | | |

**Subject:**          Approval of SOS GA.1.4 (Internal Audit Function)

**Background:**          The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires the Internal Audit Department (IAD) to comply with the Professional Practices Framework (Framework) of the Institute of Internal Auditors.  That Framework requires an internal audit charter be established to formally define the purpose, authority, and responsibility of the internal audit activity. The Framework requires that charter be consistent with the Definition of Internal Auditing, the Code of Ethics, and the Professional Practices Standards as defined within that same Framework. The Chief Audit Executive must also periodically review it and present it to the Board of Regents for approval.   SOS GA.1.4, originally approved in 1990 and last approved August 15, 2013, represents the internal audit charter of TSTC.

**Justification:**          SOS GA.1.4 is being presented for your review and approval to formally define the purpose, authority, and responsibilities of the IAD, and to satisfy the Framework requirements mentioned above.  Since its last approval in August 2013, references were added to highlight regulations and other Statewide Operating Standards cited within its body.  The layout of the document was also revised to conform to the new standard format for all Statewide Operating Standards.  Nothing was added or removed that materially changed the previously approved document. Furthermore, it meets all requirements set forth by the Framework and achieves compliance with the Texas Internal Auditing Act.

**Additional Information:**          None.

**Action Schedule:**          None.

**Fiscal Implications:**          No fiscal implication until a TSTC college activates a current program.  At such time of activation, the college must substantiate that funds are available to operate the program for at least the first five years.  The inventory submitted does not include any new programs, at this time.

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

**Attachment(s):**          SOS GA 1.4

**Recommended Minute Order:**          "The Board of Regents approves SOS GA.1.4."

**Recommended By:**

Jason D. Mallory, Director of Audits

TEXAS STATE TECHNICAL COLLEGE
**STATEWIDE OPERATING STANDARD**

| No.  GA 1.4 | Page 1 of 5 | Effective Date: 10/11/2018 |
|---|---|---|
| **DIVISION:** | **General Administration** | |
| **SUBJECT:** | **Internal Audit Function** | |
| **AUTHORITY:** | **Minute Order #30-13** | |
| | | |
| **PROPOSED BY:** | **Jason D. Mallory** | |
| **TITLE:** | **Director of Audits** | **Date:  10/11/2018** |
| | | |
| **RECOMMENDED BY:** | **Jason D. Mallory** | |
| **TITLE:** | **Director of Audits** | **Date:  10/11/2018** |
| | | |
| **APPROVED BY:** | | |
| **TITLE:** | | **Date:** |

STATUS:     Approved by LT 10/11/2018

HISTORICAL STATUS:     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**

**<u>Code of Ethics</u>**
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.

**<u>Standards</u>**
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.

| Description | Division/Campus | Status | Project No. | Report Date |
|---|---|---|---|---|
| **INTERNAL AUDITS** | | | | |
| Facilities Development Project Compliance Audit | Facilities - West Texas | Complete | 19-006A | 11/28/18 |
| Facilities Development Project Compliance Audit | Facilities - Marshall | Complete | 19-007A | 11/28/18 |
| Google Drive Audit | OIT | Complete | 19-004A | 12/10/18 |
| TRS Contributions Audit | HR | Complete | 19-005A | 12/20/18 |
| TAC §202 Compliance Audit | OIT | In Progress | 19-012A | 10/5/18, 1/11/19 |
| Maxient Software | OIT, Student Discipline | In Progress | | |
| Workplace Harassment Audit | HR | In Progress | | |
| Graduation Process Audit | Student Services | In Progress | | |
| Internal Penetration Test (North Texas) | OIT | In Progress | | |
| Internal Penetration Test (Ft. Bend) | OIT | In Progress | | |
| Admissions Process Audit | Student Services | In Progress | | |
| Fixed Assest Control Follow-up Audit | Cross-Divisional | In Progress | | |
| C4EO Audit | C4EO | | | |
| Safety Follow-up Audit | Cross-Divisional | | | |
| Departmental Audit - Challenger Center | Harlingen | | | |
| Departmental Audit - Challenger Center | Waco | | | |
| TEC §51.9337 Contracting Audit | Purchasing | | | |

**EXTERNAL AUDITS**

| Description | Division/Campus | Status | Project No. | Report Date |
|---|---|---|---|---|
| State Comptroller's Office: Desk Audit - Charge Card Program | Finance | Complete | ░░░ | 8/27/18 |
| State Auditor's Office: A-133 Follow-up | Financial Aid - Marshall | Pending Report | ░░░ | |
| State Comptroller's Office: Post Payment Audit | Purchasing | Pending Report | | |
| Single Audit for FY 2018: BKD | Accounting | In Progress | | |
| TWC: Montoring review of SDF Contract # 2418SDF002 | OSP/Harlingen | In Progress | | |
| TWC: Montoring review of SDF Contract # 2418SDF003 | OSP/Harlingen | In Progress | | |

| Description | Division/Campus | Status | Project No. | Report Date |
|---|---|---|---|---|
| **OTHER INTERNAL PROJECTS** | | | | |
| Internal Ethics Line Report: An anonymous report indicated vending machines were charging more than the posted amount when a charge card was used.  Results:  We determined that when a card is used, a temporary transaction for $1 more than the posted price is temporarily posted to the card holder's account, but the correct amount is charged when the customer's account is actually charged. Found the complaint to have no merit. | Waco/Business Services | Complete | 19-010P | 10/5/18 |
| Police Evidence Room Surprise Inspection | Police Department/Harlingen | Complete | 19-013A | 1/2/19 |
| Executive Management Request: Review contractual relationship with vendor associated with Helicopter Pilot Program, and any other potential exposure related to VA compliance. | | Waiting on Management Response | 19-009I | |

**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 |
|---|---|---|---|---|---|
| **Facilities Development Project Compliance Audit – West Texas Campuses (19-006A)** | | No material exceptions noted. | | | |
| **Facilities Development Project Compliance Audit – Marshall Campus (19-007A)** | | No material exceptions noted. | | | |

| Report Name & No. | Audit Finding | Summary of Finding Support | Management's CAP(s) | Resp. Sr Mgr | Expect. Complete Date |
|---|---|---|---|---|---|
| **Audit of Google Drive (19-004A)** | While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls. | We found the following issues that relate to the 12 TAC 202 controls: access needs to be better restricted, and a specific access policy for Google Suites, account lockout, logon notification banner, annnual SOC 2 report reviews, better first logon controls, and an annual risk assessment of the sytem needs to be implemented/improved. | 1.1 For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks. IT believes they can have these implemented by June 2019. | Herrera/Scherwitz | 6/30/19 |
| **Self-Audit of TRS Retirement Benefits Participation (19-005A)** | 1. Processes related to employees electing ORP and processes related to TRS contributions for employees need improvement. | 1. Identified 1 employee who was erroneously listed as TRS eligible for 4 months.  2. Unable to verify an employee participating in ORP was ever in an eligible position. 3. Identified 3 employees whose ORP elections were not made within proper timeframe. | 1.1  A change will be made to implement a form to all New Hires and Re-Hires to complete with signatures of acknowledgement that signifies their ORP/TRS Eligibility and decision date. | Hoekstra/Mayfield | 1/31/19 |
| | | | 1.2 When an employee is selected and approved to change positions from the COMP area of HR, they will be implementing procedures to notify an individual they have become eligible and will be followed up with a signed form from the employee of that acknowledgment. | Hoekstra/Mayfield | 1/1/19 |

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| Report Name & No. | | Audit Finding | Summary of Finding Support | Management's CAP(s) | Resp. Sr Mgr | Expect. Complete Date |
|---|---|---|---|---|---|---|
| | | | | 1.3 A reconciliation will be performed at the end of each semester to ensure employees working 12 hours or less per week did not contribute to TRS. | Hoekstra/Mayfield | 6/3/19 |
| **Audit of Police Evidence Room – Harlingen Campus (19-013A)** | | | No material exceptions noted. | | | |
| **TAC 202 Compliance – Quarterly Update (19-012A)** | | Implemented controls increased from 95 to 99. 8 additional controls are pending Internal Audit testing. | | | | |

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

| Completion Summary | 9/30/18 | 12/31/18 | Cleared from (Added to) Schedule |
|---|---|---|---|
| **Audits from FY 2017 & Earlier** | 3 | 3 | 0 |
| **Audits from FY 2018** | 9 | 8 | 1 |
| **Audits from 2019** | 0 | 2 | -2 |
| Total | 12 | 13 | -1 |
| | | | |
| **Findings from FY 2017 & Earlier** | 3 | 3 | 0 |
| **Findings from FY 2018** | 11 | 8 | 3 |
| **Findings Audits from 2019** | 0 | 2 | -2 |
| Total | 14 | 13 | 1 |
| | | | |
| **CAPs from FY 2017 & Earlier** | 3 | 3 | 0 |
| **CAPS from FY 2018** | 23 | 12 | 11 |
| **CAPS Audits from 2019** | 0 | 4 | -4 |
| Total | 26 | 19 | 7 |

| Report Name & No., Resp. Sr Mgr | | Internal Audit Finding | Management's CAP(s) | Internal Audit Comments on Status | Management Comments on Status | Expect. Complete Date |
|---|---|---|---|---|---|---|
| Internal Network Penetration Test (16-016A), Herrera | # | We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end-user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers. | We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT. | **Substantially Complete:** As of 7/7/17, 8 of 9 corrective action plans have been completed. The only item that is pending to be completed is CAP 2.1 relating to secured logons to lab computers. Dell One is currently being implemented. New anticipated date of completion is 5/31/19. | | 5/31/19 |

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| **Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17-022A), Hoekstra** | # 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. | **Partially Complete:** During a follow-up in December 2018, we determined that the process of all stewards completing an annual inventory has significantly improved, as has the documentation of the disposed assets. The process for transferring assets from terminated/transferred stewards, and the process of updating asset records with the notes provided by stewards on their annual inventory sheets still need attention. | 8/31/19 |
| **TAC §202 Compliance Audit (17-002A), Herrera** | # Twenty-three of the 106 IT controls we tested have not yet been 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 1/9/19, 99 controls were implemented, with 36 still requiring attention. 8 of those 36 controls are pending testing by Internal Audit. | TBD |

| | # | Summary: Admissions procedures need to be improved to ensure all applicants receive timely communication, and to ensure all internal and external reporting is accurate. | 1.1 The work performed by the Internal Audit Department further justifies our movement towards a centralized processing center where stricter internal controls and monitoring can take place. The recommendations for improvement are areas in which we are working to address. | Ongoing: Internal Audit will perform a full scope audit of the admissions process in Spring 2019. | Immediately |
|---|---|---|---|---|---|
| **Application Process Investigation (18-038I), Herrera** | | | | | |

| PCI Compliance Audit (18-009A), Herrera, Kilgore | # | Numerous IT related controls and/or their control elements, as prescribed by PCI DSS, have not been implemented. As such, PCI DSS compliance is not being fully met. | 1.1 In an effort to ensure the protection of payment card data for students and employees, The Office of Information Technology has been working with Food Services to resolve a number of important control deficiencies during the audit and will continue to review and implement recommendations moving forward. As we anticipate that the review and implementation review of 100 controls across 6 objectives will take over a year, we will prioritize controls that have the largest impact on the protection of cardholder data. As part of this process, we will also implement the recommendation of an annual assessment of PCI-DSS controls to ensure ongoing adherence to PCI-DSS compliance changes. | **Ongoing:** As of 1/9/19, PCI controls were being mapped to TAC 202 controls so implementation efforts will be optimized. | 8/31/19 |

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| **Marshall: Internal Network Penetration Test (18-026A), Herrera, Kilgore** | # Physical and logical security could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit. | 1.2 The Office of Information Technology is currently in the process of implementing a centralized computer management solution, Microsoft Active Directory, which will enable us to implement technical controls to enforce security on workstations. | **Ongoing** | 12/31/19 |
| **Safety & Security Audit (18-012A), Herrera** | # Improvements should be made to standardize safety processes between campuses, and to better establish College expectations and accountability. | 1.1 We are currently reviewing all safety processes, and will be standardizing them throughout the State. Our efforts will, at a minimum, address all observations noted in the audit report and include follow-up of the individual safety issues notes at each campus as detailed in the supplemental report. The revised processes will include a designated safety officer performing frequent inspections, along with training individual departments. | **Ongoing:** At 1/9/19, safety and security training has taken place at each campus, inspections are ongoing, and a climate survey has been sent to the campuses.  In Waco, a dedicated safety employee has been hired.  A summit is scheduled in March for all dedicated safety personnel. | 8/31/19 |

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| **West Texas: Internal Network Penetration Test (18-046A), Herrera** | # | Security of information and assets could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit. | 1.2 The Office of Information Technology is currently in the process of implementing a centralized computer management solution, Microsoft Active Directory, which will enable us to implement technical controls to enforce security on workstations. We anticipate this project will be complete in the 2019 calendar year. | **On-going** | 12/31/19 |
| **Departmental Audit of Culinary Arts Program - Waco Campus (18-044A), Kilgore** | # | Expenses related to the non-instructional part of the catering operation should be paid from a Fund 4 account, similar to other auxiliary operations. | 1.1 Meetings with Accounting and payroll have been accomplished and plan of splitting the Fund 1 and Fund 3 accounts will be presented in the near future. | **Ongoing:** We inquired of management, and they are submitting a budget change request. At 1/9/19, though, that change had not yet been implemented. | TBD |
| **Workforce Development Investigation (18-048I), Kilgore** | # | Several recommendations made related to curriculum development, stipend payments, and asset utilization. | Personnel action was taken, and improvements directed specifically at the observations made in the report were developed. | **Ongoing:** We have verified the personnel action, and will verify the enhancements in February 2019 to ensure they are effective. | 10/31/18 |

| | # | | | | |
|---|---|---|---|---|---|
| **Annual Compliance Audit of TEC §51.9337 (18-047A), Hoekstra & Rushing** | # | We identified exceptions related to employee training on contracting procedures, conflict of interest procedures, the contract management handbook missing some current procedures, and some other documentation exceptions. | 2.1 Contract Management Training - Training for procurement staff and departments, as well as those with delegated authority to execute contracts will be conducted in November/December, following approval of statewide policy. | **Ongoing:** On 12/11/18 Waco and Marshall procurement staff were trained. Dates have not been set for other procurement staff or staff with authority to execute contracts, however, management expects to complete staff training by the end of January with the training being offered through Moodle to be able to track attendance. | 1/31/19 |
| | | | 2.2 Conflict of Interest/Ethics Training is coordinated as a mandatory training topic carried out annually by Human Resources/Professional Development and administered as well as tracked on Moodle under the title "TSTC Workplace Ethics and Conflict of Interest". The Office of Risk Management will coordinate with HR/PD to make sure that any employees with deficient scores or no record of taking the training session and associated quiz/tests will be set into a management plan to ensure accountability of the mandatory training. | **Pending Review:** Ethics training and mangement of the training has been formulated. The required Conflict of Interest/Ethics training is to be completed by February 1. After that date, HR will follow-up to determine if any employees who have not yet completed the training; there is also a process for employees hired after the training due date. | 2/1/19 |

| | | | Date |
|---|---|---|---|
| | 2.4 Contract Management Handbook - Additional forms needed to transmit contracts and POs to the Contract Compliance Manager for retention and reporting will be specified in the policy (SOS) and the Handbook. | **Pending Review:** At 1/7/19 revisions were being made; expected to be published in the Portal by 1/15/19. | 1/15/19 |
| | 2.5 Risk Analysis Procedures - Procedures outlined in the policy (SOS) will be included in the Handbook. | **Pending Review:** At 1/7/19 revisions were being made; expected to be published in the Portal by 1/15/19. | 1/15/19 |
| | 2.6 Debarred Vendor Verification - For contracts, the Contract Compliance Manager will attach a current debarred vendor list as a step of the contract review process. The exceptions related to purchases that don't have a contract. In those cases, procurement staff will attached a current debarred vendor list for POs over the reporting threshold (usually $50,000) so that the CCM will have the list on file. | **Pending Review:** The debarred vendor process will be reviewed at the procurement directors' meeting on 1/9/19. | 1/15/19 |

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| **Audit of Google Drive (19-004A), Herrera** | # While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls. | 1.1 For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks. IT believes they can have these implemented by June 2019. | **Ongoing** | 6/30/19 |
| **Self-Audit of TRS Retirement Benefits Participation (19-005A), Hoekstra** | # Processes related to employees electing ORP and processes related to TRS contributions for employees need improvement. | 1.1 A change will be made to implement a form to all New Hires and Re-Hires to complete with signatures of acknowledgement that signifies their ORP/TRS Eligibility and decision date. | **Ongoing** | 1/31/19 |
| | | 1.2 When an employee is selected and approved to change positions from the COMP area of HR, they will be implementing procedures to notify an individual they have become eligible and will be followed up with a signed form from the employee of that acknowledgment. | **Pending Review** | 1/1/19 |
| | | 1.3 A reconciliation will be performed at the end of each semester to ensure employees working 12 hours or less per week did not contribute to TRS. | **Ongoing** | 6/3/19 |

Internal Audit Department

Audit Report

Facilities Development Project Compliance Audit (19-006A)
of
# TEXAS STATE TECHNICAL COLLEGE
West Texas Campuses

November 28, 2018

This audit was conducted in accordance with the

*International Standards for the Professional Practice of Internal Auditing*

of the Institute of Internal Auditors.

# Executive Summary

We have completed a compliance audit of the facilities development projects performed on the West Texas Campuses from the time period of August 31, 2013 through August 31, 2018. This audit is a required portion of the Texas Higher Education Coordinating Board's (THECB) Institution Facilities Audit and conducted every 5 years. The last audit was conducted in FY 2011. The purpose of the audit was to determine whether significant construction projects, repairs and renovations, property acquisitions, and lease-purchase agreements on the West Texas Campuses complied with the approval and review rules in Texas Administrative Code, Title 19, Part 1, Chapter 17 (TAC 17). TAC 17 details the appropriate approval and review steps for the transactions listed above.

Our tests revealed that facilities development projects covered by TAC 17 were approved by the Board of Regents, and properly submitted to the THECB for review.

# Introduction

The THECB, during its Institution Facilities Audit, requires Internal Audit to determine whether facilities development projects were approved by the institution's Board of Regents, and submitted to the THECB for review, as required. Per the Delegation of Authority, for construction projects over $500,000, the Board of Regents must approve the project concept, design and project acceptance. TAC 17 provides guidance to public institutions of higher education regarding review of construction projects, repair and renovation projects, property acquisitions or lease-purchase arrangements. The THECB reviews projects having an E&G project cost of $10 million for new construction or repair and renovation projects, improved real property purchases of more than $1 million, energy savings performance contract projects, and any projects financed by tuition revenue bonds.

The following table lists the 2 projects reviewed and summarizes the results of our testing:

| Project | Funding Source | TSTC BOR Approved | THECB Review |
|---|---|---|---|
| Abilene Industrial Technology Center | Tuition Revenue & HEAF Bonds, Gifts/donations, TPFA | Yes | Yes |
| Renovation of 4AUT and 4BCT-expansion of Welding and Diesel programs | HEAF Bonds | Yes | Not required |

We utilized the TAC 17, the instructions listed in the THECB's Peer Review Team Facilities Audit Protocol, and the College's Delegation of Authority to Sign Contracts/Agreements to conduct this audit, as well as assistance from College management.

## Objectives

The objective of the audit was to determine whether the College complied with the TAC 17 rules pertaining to facility development project applications and approvals for all construction projects and renovations performed from August 31, 2013 through August 31, 2018.

## Scope & Methodology

The scope of our audit included all construction related projects from August 31, 2013 through August 31, 2018 with project costs greater than $500,000. To accomplish our objectives, we reviewed 2 projects meeting the criteria stated above and verified corresponding Minute Orders were approved by the Board of Regents, and if any projects met the criteria for THECB review, we verified they were submitted to the THECB. Texas Administrative Code, Title 19, Part 1, Chapter 17 was the basis of all testing.

## General Observations

Management is well versed in its responsibilities to have facilities development projects approved by the Board of Regents and the THECB, when required thresholds are met. We found that they are diligent in meeting these responsibilities. Both projects have been completed.
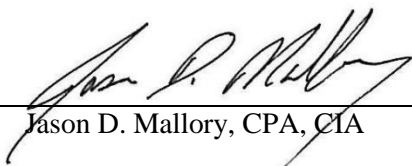
## Summary of Findings

No material exceptions were identified.

## Opinion

Based on the audit work performed, we determined that facilities development projects performed on the West Texas Campus between August 31, 2013 and August 31, 2018 complied with the approval and review requirements set forth by TAC 17. 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

_____
November 28, 2018
Date

**tstc.edu**

**Internal Audit Department**


**Audit Report**


**Facilities Development Project Compliance Audit (19-007A)**
of
# TEXAS STATE TECHNICAL COLLEGE
**Marshall Campus**


**November 28, 2018**


This audit was conducted in accordance with the

*International Standards for the Professional Practice of Internal Auditing*

of the Institute of Internal Auditors.

# Executive Summary

We have completed a compliance audit of the facilities development projects performed on the Marshall Campus from the time period of August 31, 2013 through August 31, 2018. This audit is a required portion of the Texas Higher Education Coordinating Board's (THECB) Institution Facilities Audit and conducted every 5 years. The last audit was conducted in FY 2011. The purpose of the audit was to determine whether significant construction projects, repairs and renovations, property acquisitions, and lease-purchase agreements on the Marshall Campus complied with the approval and review rules in Texas Administrative Code, Title 19, Part 1, Chapter 17 (TAC 17). TAC 17 details the appropriate approval and review steps for the transactions listed above.

Our tests revealed that facilities development projects covered by TAC 17 were approved by the Board of Regents; no projects reviewed met the criteria for THECB submission, therefore, none were submitted to the THECB for review.

# Introduction

The THECB, during its Institution Facilities Audit, requires Internal Audit to determine whether facilities development projects were approved by the institution's Board of Regents, and submitted to the THECB for review, as required. Per the Delegation of Authority, for construction projects over $500,000 the Board of Regents must approve the project's concept, design and acceptance. TAC 17 provides guidance to public institutions of higher education regarding review of construction projects, repair and renovation projects, property acquisitions or lease-purchase arrangements. The THECB reviews projects having an E&G project cost of $10 million for new construction or repair and renovation projects, improved real property purchases of more than $1 million, energy savings performance contract projects, and any projects financed by tuition revenue bonds.

The following table lists the project reviewed and summarizes the results of our testing:

| Project | Funding Source | TSTC BOR Approved | THECB Review |
|---------|----------------|-------------------|--------------|
| HVAC Replacement | HEAF Bond | Yes | Not required |

We utilized the TAC 17, the instructions listed in the THECB's Peer Review Team Facilities Audit Protocol, and the College's Delegation of Authority to Sign Contracts/Agreements to conduct this audit, as well as assistance from College management.

# Objectives

The objective of the audit was to determine whether the College complied with the TAC 17 rules pertaining to facility development project applications and approvals for all

construction projects and renovations performed from August 31, 2013 through August 31, 2018.

## Scope & Methodology

The scope of our audit included all construction related projects from August 31, 2013 through August 31, 2018 with project costs greater than $500,000. To accomplish our objectives we reviewed projects meeting the criteria above and verified corresponding Minute Orders were approved by the Board of Regents and if any projects met the criteria for THECB review, we verified they were submitted to the THECB. Texas Administrative Code, Title 19, Part 1, Chapter 17 was the basis of all testing.

## General Observations

Management is well versed in its responsibilities to have facilities development projects approved by the Board of Regents and the THECB, when required thresholds are met. We found that they are diligent in meeting these responsibilities.
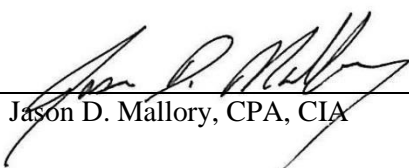
## Summary of Findings

No material exceptions were identified.

## Opinion

Based on the audit work performed, we determined that facilities development projects performed on the Marshall Campus between August 31, 2013 and August 31, 2018 complied with the approval and review requirements set forth by TAC 17. 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 | November 28, 2018 |
| | Date |

Texas State
Technical College.

Internal Audit Department

Audit Report

Audit of the Google Drive (19-004A)
# TEXAS STATE TECHNICAL COLLEGE

December 10, 2018

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 Google Drive as of July 31, 2018. The audit focused on application controls required in Texas Administrative Code 202 (TAC 202). Fifty one controls in 13 TAC domains were tested. We verified system access, periodical 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 application level controls required by TAC 202 have been implemented. But, we identified 12 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. The following table summarizes the areas reviewed, and results:

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

| | | | | |
|---|---|---|---|---|
| System and Communications Protection Controls | 2 | 0 | 1 | 3 |
| System and Information Integrity Controls | 2 | 0 | 1 | 3 |
| **Total** | **33** | **6** | **12** | **51** |

# Introduction

The College implemented Google Suite (G Suite) for Education which includes the Google Drive service at the end of 2011. G Suite for Education is a free service to the College. Additionally, the subscription is automatically renewed each year. Currently, there are a total of 2,841 G Suite users with access to Google Drive.

Google Drive is an online cloud file storage and synchronization service developed by Google. Google Drive allows users to store, synchronize, and share documents and data between users. It can also be accessed from anywhere and from numerous devices such as computers, tablets, or smart phones. Information saved on Google Drive is stored and managed in Google's servers/data centers. Google maintains a number of geographically distributed data centers to minimize the effects of any disruptions. Additionally, Google logically isolates each customer's G Suite data from that of other customers and users, even when it's stored on the same physical server.

As an added security to Google Drive, the College purchased and implemented Cloudlock in 2014 with an annual subscription cost of $52,500. Cloudlock is a product of Cisco and provides the College visibility into what users are doing, what they are saving in the cloud, and assists the College with managing risks associated with storing sensitive information.

The service is administered by two people within the Office of Information Technology, and is overseen by the Senior Executive Director of IT Support Operations. They have full access to all features and security tools in Google through a single dashboard via the administration console. In addition to managing users' accounts, they are able to customize G Suite security settings based on the College security and compliance needs.

# Objectives

The objective of the audit was to ensure minimum application level controls, especially security related ones, are in place and working as intended for the Google Drive as required by TAC 202.

# Scope & Methodology

The scope of our audit included all minimally required TAC 202 application controls as it relates to Google Drive. The Texas Department of Information Resources (DIR)

Security Controls Standards Catalog, NIST Special Publication 800-53A revision 4, and the DIR Texas Cloud Services Guide for State Agencies and Institutions of Higher Education formed the basis of our testing. To accomplish our objectives, we reviewed access, polices, system configurations, and other related information.

## General Observations

Security training is provided to the general users and the application administrators to ensure that their awareness of their roles and responsibilities for protecting information stored in the cloud. The Office of Information Technology reviewed SOC reports performed by independent auditors for G Suite to determine the level of security prior to implementing throughout the College. There are also various audit logs in place with complete log information to detect unauthorized access and activity. These logs are restricted to ensure their integrity. Also during the audit, we worked closely with OIT personnel. Everyone we worked with was receptive to our observations and recommendations.
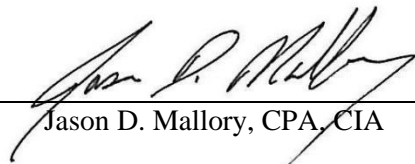
## Summary of Finding

While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls.

## Opinion

Based on the audit work performed, the majority of the required minimum information security controls have been implemented, but management needs to implement the remaining 12 controls, with priority first given to the ones related to access and security. 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 the deficiencies. The details are available upon request.

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

Submitted by:

| | |
|---|---|
| Jason D. Mallory, CPA, CIA | December 10, 2018 |
| | Date |

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Finding #1: While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls.

**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 of responsible persons, reviewed policies and procedures, reviewed third party audits, agreements, and whitepapers, and tested users' access and privileges, and security settings.

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

| Control Family | Not Implemented |
|---|---|
| Access Controls | 4 |
| Contingency Planning Controls | 1 |
| Identification and Authentication Controls | 2 |
| Personnel Security Controls | 2 |
| Risk Assessment Controls | 1 |
| System and Communications Protection Controls | 1 |
| System and Information Integrity Controls | 1 |
| **Total** | **12** |

**Consequences:** Being out of compliance with TAC 202 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 G Suite/Google Drive be implemented.

**Management Response:**
**Division:** Office of Information Technology
**Executive Management:** Ricardo Herrera, Vice Chancellor & Chief Student Services Officer

| Task | Brief Description | Responsible Individual | Completion Date |
|---|---|---|---|
| 1.1 | As noted in the report, a majority of the required controls have been implemented with the remaining controls being evaluated and addressed. | Shelli Scherwitz, Adam Harvey | June 2019 |

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Texas State
Technical College.

| Task | Brief Description | Responsible Individual | Completion Date |
|------|-------------------|------------------------|-----------------|
|      | For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks.  IT believes they can have these implemented by June 2019. | | |

**Internal Audit Department**

**Audit Report**

Self-Audit of TRS Retirement Benefits Participation (19-005A)
# TEXAS STATE TECHNICAL COLLEGE

**December 20, 2018**

This audit was conducted in accordance with the

*International Standards for the Professional Practice of Internal Auditing*

of the Institute of Internal Auditors.

# Executive Summary

We recently completed a self-audit of the College's participation in retirement benefits offered by the State, with emphasis on retirement benefits provided through the Teacher Retirement System of Texas (TRS). This audit was conducted as of August 31, 2018.

Our primary objective was to confirm the completeness and accuracy of information reported to TRS. Eligibility requirements, census data, and contributions for TRS participants were tested, as were surcharges paid for retirees receiving a TRS annuity who subsequently returned to the College. Finally, we tested the eligibility of employees participating in the Optional Retirement Program (ORP) in lieu of retirement benefits provided by TRS. Our tests were modeled from tests performed by TRS auditors. Texas Administrative Code (TAC) Title 34, Part 3, Teacher Retirement System of Texas and Title 19, Part 1, Chapter 25, Optional Retirement Program are the primary rules included this audit.

Overall, we found information reported to TRS to be both accurate and complete. Contributions for TRS participants were correct, and participants generally met eligibility requirements. As detailed in the Summary of Finding section, we identified three instances where ORP elections were not made timely, one instance of an employee participating in ORP who does not appear to have ever worked in an eligible position, and one instance in which the College made TRS contributions for an ineligible employee. We included these observations in this report because the employees associated with these errors could be negatively impacted in the future, highlighting the importance for reliable processes.

# Introduction

TRS was officially formed in 1937 to provide service and disability retirement benefits to teachers and administrators of the public school systems of Texas, including institutions of higher education. Since that time, TRS has expanded to include health insurance programs for both active and retired public school employees. TRS is responsible for investing funds and delivering retirement benefits to its participating members as authorized by the Texas legislature. The retirement plan available through TRS is a defined benefit plan supported by a trust fund sustained by member and State contributions, and investment revenues. Participating employees currently contribute 7.7% of their eligible compensation with the State contributing 6.8%. The annuity benefit is calculated by a formula that factors in years of service and an average of the highest salary. These retirement benefits generally expire only after the retiree and retiree's spouse pass away. In fiscal year 2018, the College had 1,337 who participated in this plan. Employees contributed, $4,534 800, while the College/State contributed $3,389,941.

Employees in eligible positions can opt out of the TRS plan, and instead participate in ORP, a defined contribution plan. ORP is very similar to 401K plans offered by private employers. Participants select an investment manager, along with their desired investment

mix.  Currently, participants must contribute 6.65% of their eligible compensation, while the College/State contributes 6.6%.  All retirement benefits are subject to investment returns, and amounts contributed.  For fiscal year 2018, the College had 230 who participated in ORP.  Employees contributed $1,015,423, while the College/State contributed $1,090,653.

The College also employed 16 of retirees in fiscal 2018 who received TRS retirement benefits.  For those retirees who worked for the College more than ½ time, a surcharge of 14.50% of their eligible salary was paid.  That surcharge had to be remitted to TRS by the College, but could have been paid by either College or retiree funds.  Currently, the College pays the surcharge.  That surcharge fiscal year 2018 was $25,836.

## Objectives

The primary objective of the audit was to verify the completeness and accuracy of reports (including Employee Demographic, Regular Payroll, and Employment after Retirement) submitted to the TRS.  We also tested the accuracy of census data information (name, social security number, date of birth, gender, compensation, year of entry, years of service), contributions, and eligibility, and verified related processes were adequate to ensure ongoing compliance.  For employees participating in ORP, we only tested eligibility.

## Scope & Methodology

The scope of our audit included all payroll transactions in fiscal year 2018.  The accounts of all active employees irrespective of hire date were subject to review, as were the accounts of retired TRS participants that were re-employed by the College. The self-audit program published by the TRS formed the primary basis for our test work.  That program utilized rules established in TAC Title 34, Part 3, Chapters 21, 23, 25, 31, 39, and 41, and TAC Title 19, Part 1, Chapter 25.

## General Observations

TRS requires the College to submit extensive monthly reports.  The Payroll Department has performed commendably in creating and submitting these reports. The Payroll Department is very knowledgeable of the TRS rules and they work diligently to ensure the College complies with those rules. They were helpful in obtaining all required information for this audit, to include TRS and payroll reports, and granting us access to the TRS online reporting portal.
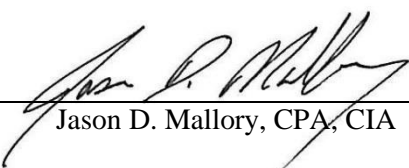
## Summary of Finding

Processes related to employees electing ORP and processes related to TRS contributions for employees need improvement.

## Opinion

Based on the audit work performed, information submitted to TRS is generally complete and accurate, as is census data for participants. Processes are adequate to ensure ongoing compliance, but those related to the timely election of ORP and contributions for TRS eligible employees should be improved.

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

Submitted by:

| | |
|---|---|
| Jason D. Mallory, CPA, CIA | December 20, 2018 |
| | Date |

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Finding #1:  Processes related to employees electing ORP and processes related to TRS contributions for employees need improvement.

**Criterion**:  We tested a sample of 40 employees and a sample 30 employees currently participating in the TRS and ORP retirement programs, respectively, to verify they met eligibility criteria.  For TRS employees, we verified they each worked at least 20 hours per week, were employed for at least 4 ½ months during the school year, and were compensated at a rate comparable to similar positions.  For ORP employees, we verified they were in an ORP eligible position at the time the election was made, and that the election was made generally the later of the 91st day or 31 days after they were notified of their eligibility.

For 39 of the 40 employees participating in TRS, we determined all eligibility requirements were met.  The one exception we identified related to an adjunct faculty member who taught no more than 12 clock hours per week during her employment period of January 2014 through April 2018.  In January 2018, she was erroneously listed as an active TRS member, with employee and employer contributions being paid during for her last four months of employment.  After further investigation we determined she did not meet an exception to the rule of working at least 20 hours per week. The contribution should not have been made.

For the 30 employees we tested that are currently participating in ORP, we determined that 26 of them met all eligibility criteria previously mentioned.  But we identified 4 exceptions:
- We were unable to verify that an employee who has participated in ORP for almost 30 years was ever in an ORP eligible position.
- 3 instances of participating employees whose elections were not made within the specified timeframes.
  - One election was 27 days late.
  - One election was 3 days late.
  - One election contained information suggesting it was allowed over 3 years after the employee was originally notified.

All of these exceptions occurred several years ago.  At the beginning of this audit, management indicated that these processes were not optimal in the past, and further indicated the processes have since improved.  Our testing confirmed both assertions.  These exceptions are cited though, because these employees' eligibilities in ORP, and other employees that may be identified in the future, are subject to TRS review and approval based upon individual circumstances.

**Consequences:** Unnecessary expenses for the College, potential loss of ORP eligibility for employees who selected that option.

**tstc.edu**

**Possible Solution:** Create a process for verifying employee's eligibility to participate in TRS and ORP. In addition, verify controls are in place to ensure ORP elections are made within the appropriate time frame.

**Management Response:**
**Division:**                 Human Resources
**Senior Management:**     Pamela Mayfield, Associate Vice Chancellor, Human Resources
                                 Angela Sill, Senior Executive Director Payroll and Compensation

| Task | Brief Description | Responsible Individual | Completion Date |
|------|------------------|------------------------|-----------------|
| 1.1 | A change will be made to implement a form to all New Hires and Re-Hires to complete with signatures of acknowledgement that signifies their ORP / TRS Eligibility and decision date. | Angela Sill | 1/31/2019 |
| 1.2 | When an employee is selected and approved to change positions from the COMP area of HR, they will be implementing procedures to notify an individual they have become eligible and will be followed up with a signed form from the employee of that acknowledgment. | Angela Sill | 1/01/2019 |
| 1.3 | A reconciliation will be performed at the end of each semester to ensure employees working 12 hours or less per week did not contribute to TRS. | Angela Sill | 6/3/2019 |

**Internal Audit Department**

**Audit Report**

**Audit of Police Evidence Room (19-013A)**
**of**
# TEXAS STATE TECHNICAL COLLEGE
**Harlingen Campus**

**January 2, 2019**

This audit was conducted in accordance with the

*International Standards for the Professional Practice of Internal Auditing*

of the Institute of Internal Auditors.

## Executive Summary

On December 7, 2018, we performed a surprise inspection of the Police Department's evidence room (Room) on the Harlingen campus. Surprise inspections were requested by the Chiefs of Police as a way to verify all property is accounted for, and controls remain strong. The integrity of evidence is often crucial to the successful prosecution of crimes. And, because the Rooms contain illegal drugs and weapons confiscated during arrests, security is paramount.

The primary objectives of this audit was to ensure all evidence maintained in the Room in Harlingen was present and/or accounted for, and that access to the Room was restricted and monitored. We accomplished these objectives by tracing samples, reviewing access and other detective controls, and observing the general organization and cleanliness of the Room and related documentation.

We were able to find all evidence we traced, and controls were adequate to ensure the contents are safeguarded from damage, loss, and theft.

## Introduction

The campus Police Department confiscates property during arrests and other incidences to hold as evidence in criminal proceedings. They also receive abandoned and lost property until the rightful owners can be located. Dedicated evidence and found property rooms are established to safely store these items until the district attorney disposes of the criminal cases through prosecution or dismissal, or, as in cases of abandoned property, a rightful owner can be located or sufficient time has passed to be properly disposed of. Originally, both evidence and property were stored together, however over the past several years a separate property room has been utilized to better organize the evidence from abandoned property. Efforts to do so are evident as the Room has shown improvement every year since we began performing this audit.

The Room contains illegal drugs (mostly marijuana), various weapons, to include bb guns and knives. Access to all evidence is restricted and tracked through the use of logs. For purposes of this audit, only evidence was traced.

## Objectives

The primary objectives of this audit were to ensure all evidence maintained in the Room was present and/or accounted for, and that access was restricted and monitored.

## Scope & Methodology

The scope of our audit included all items stored in the Room as of December 7, 2018. To accomplish our objectives we traced samples of evidence noted in records to the actual items

and vice versa, observed access and other safeguarding controls, and noted the general organization and cleanliness of each Room.

## General Observations

Well-designed controls have been put in place over Police evidence to ensure its integrity and security.  The Police are diligent in their efforts to limit access to the evidence and treat it as highly sensitive. Limited access, entry logs, sealed evidence bags, and card reader/picture notification for anyone entering the Room are the key controls.

## Summary of Findings
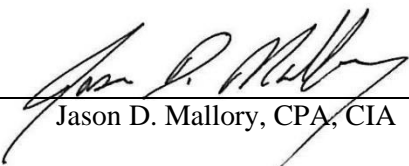
No material exceptions were identified.

## Opinion

Based on the audit work performed, all Police evidence was present and/or accounted for, with access restricted and monitored.

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

Submitted by:

| | |
|---|---|
| Jason D. Mallory, CPA, CIA | January 2, 2019 |
| | Date |

To:          Shelli Scherwitz, Sr. Director of IT Support Operations
                 Rick Collatos, Sr. Director of  IT Infrastructure Operations

From:      Jason D. Mallory, Audit Director
Subject:    TAC 202 Compliance – Quarterly Update
Date:       January 11, 2019

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

## CURRENT RESULTS

| TAC 202 Control Family | Implemented | Implemented with Recommendations | Not Implemented | Total Required Controls | Pending Verification by IA |
|---|---|---|---|---|---|
| Access Control | 7 | 1 | 4 | **12** | 3 |
| Authority and Purpose | 0 | 0 | 0 | **0** | 0 |
| Accountability, Audit, Risk Management | 0 | 0 | 0 | **0** | 0 |
| Awareness and Training | 3 | 1 | 0 | **4** | 0 |
| Audit and Accountability | 4 | 4 | 2 | **10** | 0 |
| Security Assessment and Authorization | 3 | 2 | 2 | **7** | 0 |
| Configuration Management | 2 | 0 | 6 | **8** | 2 |
| Contingency Planning | 4 | 2 | 1 | **7** | 0 |
| Data Quality and Integrity | 0 | 0 | 0 | **0** | 0 |
| Data Minimization and Retention | 0 | 0 | 0 | **0** | 0 |
| Identification and Authentication | 5 | 0 | 2 | **7** | 1 |
| Individual Participation and Redress | 0 | 0 | 0 | **0** | 0 |
| Incident Response | 4 | 3 | 0 | **7** | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Maintenance | 3 | 0 | 1 | **4** | 0 |
| Media Protection | 2 | 1 | 1 | **4** | 0 |
| Physical and Environmental Protection | 7 | 2 | 1 | **10** | 0 |
| Planning | 1 | 0 | 2 | **3** | 0 |
| Program Management | 10 | 5 | 1 | **16** | 0 |
| Personnel Security | 2 | 4 | 2 | **8** | 2 |
| Risk Assessment | 2 | 1 | 1 | **4** | 0 |
| System and Services Acquisition | 3 | 1 | 3 | **7** | 0 |
| System and Communications Protection | 6 | 1 | 4 [See note 1] | **11** | 0 |
| Security | 0 | 0 | 0 | **0** | 0 |
| System and Information Integrity | 2 | 1 | 3 | **6** | 0 |
| Transparency | 0 | 0 | 0 | **0** | 0 |
| Use Limitation | 0 | 0 | 0 | **0** | 0 |
| | | | | | |
| **Total** | **70** | **29** | **36** | **135** | **8** |
| | **51.85%** | **21.48%** | **26.67%** | **100%** | |
| | | | | | |
| **Previous Quarter Results** | **66** | **29** | **40** [See note 2] | **135** | **8** |

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

*Note 2: The quarterly update provided in November 2018 erroneously listed 41 controls as not implemented, when the correct number was 40. The error was corrected this quarter.*

We appreciate your efforts, and encourage you to continue progressing.

Submitted by:

| | January 11, 2019 |
|---|---|
| Jason D. Mallory, CPA, CIA | Date |

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

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

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

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