

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: 120 270 5542**

Thursday, August 20, 2020

10:00 a.m.

AGENDA

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

II. COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS

28-20(c) Approve Revision of Fiscal Year 2020 Audit Plan.....A-3

29-20(c) Approve Fiscal Year 2021 Audit Plan A-4

IV. REPORTS:

1. Status of Fiscal Year 2020 Audit Schedule & Other ProjectsA-11

Jason D. Mallory

2. Summary of Audit Reports.....A-15

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.

3. Follow-up Schedule & Status.....	A-17
<i>Jason D. Mallory</i>	
4. Help Desk Audit (20-025A)	A-26
<i>Jason D. Mallory</i>	
5. Career Services Audit (20-013A)	A-32
<i>Jason D. Mallory</i>	
6. Annual Contracting Audit (20-008.1A).....	A-36
<i>Jason D. Mallory</i>	
7. TAC 202 Quarterly Update (20-010A)	A-41
<i>Jason D. Mallory</i>	
8. Desk Review of Contract 2918PEB000.....	A-43
<i>Texas Workforce Commission</i>	
9. Attestation Disclosures	A-46
<i>Jason D. Mallory</i>	

V. CHANCELLOR COMMENTS

VI. BOARD COMMENTS

VII. ADJOURN

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



Board Meeting Date: August 20, 2020 **Proposed Minute Order #:** 28-20(c)

Proposed By: Jason D. Mallory, Director of Audits

Subject: Approve Revision of Fiscal Year 2020 Audit Plan

Background: The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents approval for the Annual Audit Plan (Plan) and any revisions. The Director of Audits recommends revising the Plan originally approved by Minute Order #33-19(c) on August 15, 2019, by removing the Accounting Controls Audit.

Justification: Internal Audit proposed to begin a comprehensive review and documentation of key accounting controls in FY 2020. The proposed review was intended to document current accounting controls that ensure significant balances in the general ledger and on the financial statements are reasonably stated. However, during FY 2020, the College engaged a consultant to assist with its readiness phase of implementing Workday, the ERP system intended to replace Colleague. A significant part of the readiness phase included redesigning major accounting controls to operate within a Workday environment. While actual implementation of Workday is still in the planning phases, the future implementation will alter/remove/add key controls. We feel a comprehensive review at this time would quickly become irrelevant to a large extent due to several manual controls currently required that will be replaced by automated ones. The audit would provide more benefit after Workday implementation. The time allotted for the audit was utilized on several unplanned projects that were brought to our attention throughout the year by management and the ethics hotlines.

Additional Information: None.

Fiscal Implications: None.

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

Attachment(s): None

Recommended Minute Order: "The Texas State Technical College Board of Regents approves the revision of the Fiscal Year 2020 Audit Plan."

Recommended By: [ORIGINAL SIGNED BY]
Jason D. Mallory, Director of Audits

Board Meeting Date: August 20, 2020 **Proposed Minute Order #:** 29-20(c)

Proposed By: Jason D. Mallory, Director of Audits

Subject: Approve Fiscal Year 2021 Audit Plan

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

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

Additional Information: None.

Fiscal Implications: Funds Available as Budgeted for Fiscal Year 2021.

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

Attachment(s): Proposed Fiscal Year 2021 Audit Plan

Recommended Minute Order: "The Texas State Technical College Board of Regents approves the Fiscal Year 2021 Audit Plan."

Recommended By: [ORIGINAL SIGNED BY]
Jason D. Mallory, Director of Audits



Audit Plan

Fiscal Year 2021

Proposed August 20, 2020

Executive Summary

The purpose of the Audit Plan (Plan) is to outline audits and other activities the Internal Audit Department will conduct during fiscal year 2021. The Plan was developed through collaboration with the Board of Regents (Board), Executive Management, and other managers throughout the College, as well as the Internal Audit staff. Risk assessment techniques, described later in this report, identified individual audits to be conducted during the year by considering the College's major activities and processes, which included its accounting systems and processes, administrative processes, and information technology systems. The Plan, its development, and approval are intended to satisfy requirements under the Internal Audit Charter (SOS GA.1.4) and the Texas Internal Auditing Act (TGC Chapter 2102).

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

As result of those efforts, the Plan includes 14 full-scope internal audits, and a continuation of prior year testing on TAC 202 controls. It also sets aside time for follow-up audits on previous audit findings, investigations, and special projects that arise through the year. Various external audits, typically related to grants, will also most likely be performed by external auditors. Audit work will conclude with preparing another annual audit plan and the Annual Audit Report which will summarize all FY 2021 audit activity. Sufficient time has also been allocated for administrative responsibilities, training, and leave.

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

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

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

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

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

Next, we relied upon risk assessments performed by managers throughout the College of the major activities and processes under their responsibility. These risk assessments yielded information about each activity's **Inherent Risk** (the risk present in an activity before any controls are applied) and its **Residual Risk** (the risk remaining in an activity after reasonable controls have been applied). These assessments assisted us with identifying activities and processes that pose the greatest risk to the College. The assessments also allowed us to gain current insight into the perspective of each manager responsible for overseeing the activities. Assessments on 61 activities were prepared by 46 managers. We created a Heat Map within our planning documentation which charted each activity relative to the others.

Third, we requested input from each Regent and each executive on the Leadership Team. Specifically, we requested them to rank each of the 7 risks by priority, and to provide any specific audits they would like performed in FY 2021. Their input helped us understand their individual priorities.

Similar to step three, we also considered input from each staff member in Internal Audit. The Internal Audit staff adds a unique College-wide perspective of risks because of the combined 60+ years of auditing the organization.

Next, we considered specific audit requests from all parties, as well as statutorily required audits. Those requests, with the exception of the required audits, are listed below. The frequency of a

specific request is also listed. The indicates requests that are in some manner reflected in the Proposed Plan:

Regulatory reporting requirements	COVID Safety issues	Grant compliance
IT security	Purchasing & P-Cards	CARES Compliance (5)
Facilities & Ground Maintenance Contracts	Land & Building Acquisitions	Use of resource during remote work (3)
Servion Contract	Workforce Development (2)	Accounts Receivable/Billing
SACSCOC Non-Compliance Monitoring (3)	Strategic Initiatives (2)	Follow-up communications with student applicants
Bookstore	APT Flight Fees	Risk Assessments for various instructional programs
HB 2223 – College Readiness & Co-requisite Model	CTE – Dual Enrollment	Safety (3)
Audit of Internal Audit	Travel	Student Club Accounts
Employee Benefits	Mobile Computing	Social Media
Team Dynamix	Concur	Fleet Management
Informer		

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

Internal Audit Available Time

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

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

Proposed 2020 Audit Plan

1. **TEC 51.9337 (Contracting) Audit:** Required to be audited annually. This audit will test compliance to TEC 51.9337 related to contracting. Some of the tests that will be performed include policy requirements, training, conflict of interest disclosures, tracking of contracts, approval authority, and the availability and compliance to a College contract handbook
2. **TAC 202 (IT Security) Follow-up Audit:** An audit is required every 2 years. This will be a follow-up audit of required IT controls from previously performed audits. It will focus on the required IT control families listed in the regulation, with an emphasis on IT security.
3. **Safety Audit:** Required to be audited every 3 years. This audit will test various safety processes at each campus. Safety risks unique to each environment will be reviewed.
4. **External Quality Assessment Review of Internal Audit:** Required to be performed every 3 years. This will be an external validation of Internal Audit procedures to ensure we meet Governmental Auditing Standards and the Standards adopted by the Institute of Internal Auditors.
5. **Administrative & Faculty Qualifications Process Audit:** In the SACSCOC Reaccreditation Review, the external validators made preliminary comments on some employee's credentials, especially faculty. This audit will verify processes are in place to ensure credentials are appropriately weighed, validated, and documented in relation to the respective duties of the employees. For faculty, credentials must be appropriate for the individual courses they teach, so the process must extend beyond initial hire.
6. **Internal Network Penetration Test (West Texas campuses):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
7. **Internal Network Penetration Test (Marshall campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
8. **Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit:** This audit will test the distribution and justification of the Higher Education Emergency Relief Funds (HEERF) and other funds provided by CARES

9. **Student Club Accounts:** This audit will document the various club accounts that are the College acts as an agent for, and will verify the policy related to these accounts is consistently followed.
10. **Servion Contract Audit:** In FY 2020, we began a series of audits at the TSTC Airport. Servion is the fixed based operator that provides fuel to aircraft at the airport. This audit will verify contractual requirements, to include validating the amounts received by the College for fuel sales in FY 2019 through the date of the audit.
11. **Accounts Receivable/Billing:** This audit will verify billing procedures are appropriate to ensure all amounts owed by customers through revenue contracts are received timely. This audit will be accounting-process focused, not compliance focused beyond payment terms.
12. **Concur Software Audit:** This audit will test required for TAC 202 controls for the Concur software. The software was implemented in FY 2020 to improve processes related to travel and p-card use.
13. **Informer Software Audit:** This audit will test required for TAC 202 controls for the Informer software. This software facilitates data extractions from Colleague, and generates various reports. In addition to the TAC 202 controls, we will also test the methods used to store the data once it has been extracted, and the security of those methods.
14. **Wireless Network Security Audit:** This audit will document and test the procedures for ensuring wireless network security.
15. **Social Media Audit:** This audit will verify procedures related to information concerning TSTC posted by employees on social media.



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

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	In Progress	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		In Progress			6/30/08	Risk Based
Harlingen Bookstore Operational Audit		In Progress			7/2/08	Risk Based
Bookstore Point of Sale System - TAC 202 Audit		In Progress			7/9/08	Risk Based
Field Support Audit		In Progress			-	Risk Based
Accounting Controls Audit	Requesting removal due to new ERP system being pursued. This will change/add/remove existing controls.					

EXTERNAL AUDITS

DOD: Voluntary Education Institutional Compliance Program 2019 – Corrected Feedback Report.	VA Office	Complete		10/2/19
DPS: Texas N-DEx Audit Compliance Report	Waco Police	Complete		12/13/19
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

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
TWC: Monitoring review of SDF Contract # 2418SDF002	OSP/Harlingen	In Progress				
TWC: Monitoring review of SDF Contract # 2418SDF003	OSP/Harlingen	In Progress				
VA Audit	VA Office/Waco Campus	In Progress				
Texas Comptroller: Duplicate Payment Audit	Procurement	In Progress				
Financial Processes Audit performed by the SAO	Finance	In Progress				

OTHER INTERNAL PROJECTS

Face to Face Complaint: A concern was raised that a manager accepted impermissible gifts in exchange for awarding contracts. Results: Unable to determine whether gifts were accepted, but validated that a personal relationship existed between the manager and the vendor which created an appearance of impropriety and bias. As a result, the manager was separated from the College, and enhanced procedures were implemented to prevent recurrence.	Facilities	Complete	20-006I	10/8/19	
Internal Hotline: Employee alleged hostile work environment. Results: Complaint was forwarded to HR for investigation/resolution.	HR Related Issue	Complete - No report issued by IA	20-017I	12/12/19	
Internal Hotline: Allegation of conflict of interest due to related party purchases and violation purchasing regulations. Results: This same complaint was investigated in October 2017 at project 18-015I. We determined that the conflict was disclosed to the COI and Executive Management/Board, majority of purchases were paid by the Foundation, and the accused was not involved in the procurement process.	Procurement	Complete - Referred to previous investigation performed in FY 2018.	20-018I (18-015I)	10/31/17	
Report by COI Committee: A concern was raised that an employee has indirectly benefitted by referring students to his/her part time employer, and disclosed personal information. Results: Determined that the employee is dually employed. Recommended he not be involved in the referral process going forward.	Harlingen/Counseling	Complete	20-019I	1/14/20	
Request by management: A concern was raised that an employee(s) were involved in selling/purchasing surplus property outside of the prescribed process. Results: Determined that asset control procedures were lax. We could not validate the specific concern, but cited several examples of poor controls that needed to be addressed.	Central Receiving/Instruction (Harlingen Campus)	Complete	20-015I	1/17/20	

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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		
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.		

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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		
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 - pending.		In Progress				
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				
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				



**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
Help Desk Audit (20-025A)	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.	We found the following items needing attention: <ul style="list-style-type: none"> Operational procedures have not been updated in several years to reflect changes in the IT environment. Formal metrics have not been developed. The ticket workflow process documentation does not reflect the actual workflow. Training documentation is not being consistently maintained. Finally, there is not a periodic request for customer feedback. This is especially important since their entire role is customer focused. 	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. 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.	Shelli Scherwitz/ Adam Harvey	10/30/20
				Shelli Scherwitz/ Adam Harvey	9/30/20

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
			1.3 A customer service survey will be developed and will start sending to customers that contact the Help Desk. This survey will consist of three rating questions and one free form box, to provide detailed feedback, and will be sent out using a Google Form. This survey and results will be reviewed quarterly by the Help Desk Director.	Shelli Scherwitz/ Adam Harvey	9/1/20
Career Services Audit (20-013A)		No findings identified.			
Annual Contracting Audit (20-008.1A)		No findings identified.			
TAC 202 Compliance – Quarterly Update (20-010A)	Eight more controls were identified as being implemented, 10 more pending verification by Internal Audit.				
Desk Review of Contract 2918PEB000 performed by Texas Workforce Commission	1. A review of the quarterly self assessment reports (QSARs) submitted within the review period shows that the October 2019 report was submitted early (September 27, 2019). The report for the quarter being reviewed showed it was received late (January 6, 2020). The review was expanded to include January, April and July of 2019. All three (3) were received late.	Recipient shall submit to Agency a fully executed Quarterly Self Assessment Report, Attachment H, on the next-occurring quarterly filing date after the Begin Date, and on each quarterly filing date for as long as this Contract is in effect. The quarterly filing dates are January 1, April 1, July 1, and October 1. Each report must have been signed within thirty (30) days preceding submission.	TSTC will begin submitting the QSARs, to TWC, three (3) weeks in advance of the contractual deadline, in order to provide ample time to complete the QSARs, and receive confirmation of its receipt.	Jonathan Lasley	Immediately



Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary			
	3/31/20	6/30/20	Cleared from (Added to) Schedule
Audits from FY 2017 & Earlier	2	2	0
Audits from FY 2018	1	1	0
Audits from FY 2019	8	5	3
Audits from FY 2020	2	2	0
Net Total	13	10	3
Findings from FY 2017 & Earlier	2	2	0
Findings from FY 2018	1	1	0
Findings from FY 2019	9	5	4
Findings from FY 2020	4	3	1
Net Total	16	11	5

Highlights:

TAC 202 Audits: 8 more controls were implemented.
Admissions Audit (19-017A): 2 CAPs were implemented.
Waco Pen Test (20-016A): All CAPs were implemented.
Helicopter Investigation (19-019I): Billing exceptions are pending review by Internal Audit. Working with management on this.

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.	Substantially Complete: Determined in follow-up testing performed in November 2018 and June 2019 that all but one deficiency was corrected. The remaining deficiency related to asset transfers will be retested in FY 2020 if COVID restrictions allow.		8/31/20
TAC §202 Compliance Audits (17-002A) (19-004A), (19-003A), (19-017A), Herrera	1. Several required controls were not yet implemented.	As noted in the report, a majority of the required controls have been implemented with the remaining controls being evaluated and addressed. For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC.	Ongoing: At 7/6/20, 6 systems and the IT general controls have been audited. A total of 12 general controls and 70 (total for all systems audited) application controls were not yet implemented. In this quarter, 8 controls were improved to implemented status.		Ongoing

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
PCI Compliance Audit (18-009A), Herrera	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.	<p>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.</p>	<p>Ongoing: As of 1/9/19, PCI controls were being mapped to TAC 202 controls so implementation efforts will be optimized. At 7/12/19, 8 controls were pending Internal Audit's review.</p>		Ongoing

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Helicopter Training Program Investigation (19-0091), Kilgore, Hockstra, Herrera	1. Summary: We did not identify any training of flight students performed by a contractor. Additionally, the student composition of HPTP when combined with the fixed wing enrollment figures complies with the VA's 85/15 rule. While we made several observations indicating the program was ineffectively managed in the past, current management appears to be taking steps to improve the operation of the program to make it more efficient and less costly. We did, however, identify accounting processes and controls that need to be improved to ensure the correct flight fees are charged to students, and any unused Chapter 33 funds are returned timely to the VA.	Various tasks - See investigative report. Summary: all observations for improvement will be addressed	Pending Review - Management is currently reviewing issues prior to our follow-up.		Immediately
Workplace Harassment Audit (19-014A), Hockstra, Mayfield	1. Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendations offered by the EEOC in their 2016 report.	1.1 A single, comprehensive policy will be created that includes all 10 of the EEOC's recommended elements. 1.2 Frequent reminders to the employees on the College's expectations, with some of those reminders coming directly from the Executive Team.	Ongoing: On 3/27/20 has begun revising existing policies. Follow-up work was ongoing at 7/6/20. Ongoing: Followed up on 3/27/20. No response received yet. Follow-up work was ongoing at 7/6/20.		9/30/19 9/30/19

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.3 A single comprehensive policy will be created, with various forms of training being conducted.	Ongoing: Followed up on 3/27/20. No response received yet. Follow-up work was ongoing at 7/6/20.		10/31/19
Departmental Audit - Challenger Centers (19-018A & 19-019A), Mayfield, Balli, Wooten	1. Risks associated with minors on campus would be better managed by performing enhanced background checks on CLC employees, and requiring them to attend periodic training.	1.1 Determine whether DPS Fingerprint service can be utilized, and if not identify the an entity that will best serve this need.	Ongoing: 3/27/20: Per Angela Sill, the College's finger print background checks does not include staff positions. HR has offered to start performing standard background checks on these employees annually. However, this practice has not yet started. Follow-up work was ongoing at 7/6/20.		10/31/19
	2. Accounting processes for revenue need to be improved.	2.1 Accounting processes will be changed to record deferred/unearned revenue when missions are scheduled and invoiced.	Pending Review: 4/6/20: Email to accounting inquiring about this corrective action. Waiting on response from Accounting Dept. Follow-up work was ongoing at 7/6/20.		11/30/19
		2.2 Validate revenue and accounts receivable monthly.	Pending Review: 4/6/20: Email to accounting inquiring about this corrective action. Waiting on response from Accounting Dept. Follow-up work was ongoing at 7/6/20.		11/30/19

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
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: At 7/6/20, a request has been made with OIT by the department; however, collaborating a process with OIT and HR has not yet been completed.		6/30/2020 , 12/1/20
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.	Ongoing: On 7/2/20, we met with Chiefs of Police. They requested follow-up work be performed in September.		10/1/20

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.2 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: On 7/2/20, we met with Chiefs of Police. They requested follow-up work be performed in September.		10/1/20
2.	Emergency notification procedures and evacuation drills need to be enhanced.	2.1 Effective immediately, the ENS will be tested at least once each term by Strategic Communications. They will coordinate with the Risk Management to identify and resolve any issues associated with employees and students not receiving ENS notifications.	Pending Review On 7/2/20, we met with Chiefs of Police. They requested follow-up work be performed in September.		Immediately

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		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.	Pending Review On 7/2/20, we met with Chiefs of Police. They requested follow-up work be performed in September.		Immediately
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 trainings, 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.	Ongoing		9/30/20

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.3 A customer service survey will be developed and will start sending to customers that contact the Help Desk. This survey will consist of three rating questions and one free form box, to provide detailed feedback, and will be sent out using a Google Form. This survey and results will be reviewed quarterly by the Help Desk Director.	Ongoing		9/1/20



Internal Audit Department

Audit Report

Help Desk Audit (20-025A)

TEXAS STATE TECHNICAL COLLEGE
Office of Information Technology

June 19, 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 operational audit of the Help Desk function of the Office of Information Technology through April 30, 2020. Our tests included all current operations of the Help Desk to ensure the service they provide to employees and students is both timely and effective, and appropriate controls are in place over the services individual employees are able to offer.

The primary objective of this audit was to ensure the confidentiality, accountability, availability and effectiveness of the Help Desk. To do that, we verified policies and procedures that are in place to assist users they support. We reviewed the training of Help Desk personnel to ensure they are capable performing their responsibilities in an environment that handles diverse IT issues and requests. We reviewed staff scheduling to ensure coverage was optimal during peak business hours, and is available to all users irrespective of the campus. And, we verified ticket tracking and the timeliness of request resolutions.

We determined the Help Desk has appropriate staffing levels to meet the needs of both employees and students. We found tickets were generally resolved in a timely manner, appropriate logical safeguards are in place to manage access to systems by Help Desk personnel, and a robust tracking system of issues is in place. There are also policies and procedures to establish expectations for the level of service to be provided, and to set up paths for the escalation of a request that cannot be immediately resolved by Help Desk personnel. Furthermore, staff is adequately trained to perform their roles effectively.

Nevertheless, 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.

Introduction

The Help Desk is responsible for supporting the IT needs of employees and students statewide. They provide a single point of contact for customers to report, and get assistance for, any IT issue. The most common request is related to logon assistance, but they also assist with end-user training and support, offer end-user support for numerous applications, help with IT purchases, and central in informing users of security issues and concerns. Methods for contacting the Help Desk include telephone via a dedicate extension, email, chat via google hangouts for employees, the Portal and walk-ins where locations allow. Telephone support is available Monday through Friday 7:00 A.M. to 9:30 P.M., and Saturday and Sunday 8:00 A.M. to 5:00 P.M.

Help Desk employees remain educated about changes to the IT environment. They escalate any issues preventing users from working/learning that cannot be immediately resolved. There are policies and procedures that define the steps to be taken to resolve requests. Human resources are scheduled in a manner to provide continuous support during different times of the year.

The Help Desk is overseen by the Director of the Support Center who reports directly to the Executive Vice President/OIT. There are 10 analysts who provide support to the entire statewide community, and 1 switch board operator. These employees are located in Harlingen, Waco and Sweetwater.

In Fiscal Year 2019, approximately 65 thousand requests were handled by the Help Desk, for an average monthly load of 5,494 calls. September, August and January were the 3 months with the most calls, which corresponds to the beginning of each semester. For FY 2020, approximately 38 thousand calls have been handled through April 2020. This volume is similar to that experienced in FY 2019.

Objectives

The 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.
- Verify sufficient controls have been developed and implemented to escalate issues according to priority.
- Determine whether procedures exist for the timely resolution of customer requests and issues.
- Verify employees and students are informed of issues and problems within the computing environment.

Scope & Methodology

The scope of the audit included all customer requests and inquiries, and procedures followed by the Help Desk in FY 2019 through April 2020. To accomplish our audit objectives, we reviewed current policies and procedures, training documentation, and Help Desk logs. We spoke with Help Desk personnel, and submitted a sample of requests to the Help Desk to ascertain the effectiveness and timeliness of all assistance. We also tested the type of access each Help Desk personnel has to verify they could perform their responsibilities without compromising security. The following industry standards were also 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 Help Desk has documented policies and procedures in place to aid them in performing their daily duties. They have a defined mission statement, and follow a clear process so that all requests

can be readily tracked from submission to resolution. There are several options available for users/customers to reach out to the help desk for support. Tickets are prioritized and assigned a severity level when escalation is necessary so that the more significant requests can be handled first. Finally, training is appropriate for each employee with Help Desk responsibilities, and those same employees are friendly, helpful, and knowledgeable.

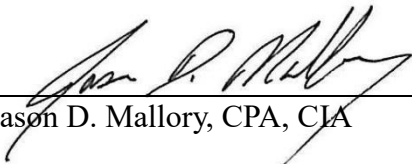
Summary of Finding

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.

Opinion

Based on the audit work performed, the Help Desk provides timely and effective IT support to both employees and students. There are numerous ways to access their services. All requests are clearly documented, with information related to the service provided, the assisting employee, and the time it took being readily available in an electronic logging system. There is a need, though, to update governing policies and training requirements, as well an opportunity to better solicit customer feedback.

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

June 19, 2020
Date

AUDIT FINDING DETAIL

Finding #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.

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

We found the following items needing attention:

- Operational procedures have not been updated in several years to reflect changes in the IT environment. The mission statement, while still relevant, has also not been revisited recently.
- Formal metrics have not been developed to assist with measuring effectiveness.
- The ticket workflow process documentation does not reflect the actual workflow.
- Training documentation is not being consistently maintained.
- Finally, there is not a periodic request for customer feedback. This is especially important since their entire role is customer focused.

Consequences: Failure to maintain current process documentation increases likelihood of increased errors and issues not being resolved timely.

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 finally, we recommend a customer service survey be implemented on a periodic basis to help identify shortcomings and training needs of Help Desk personnel.

Management Response

Management of the Help Desk function within OIT agrees with the observations made in the audit. Outdated documentation for training, ticket workflow, and escalations was the result of not reviewing them in the last few years. By October 30, 2020, the Help Desk will 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. Adam Harvey, Director - Support Center will be responsible for implementation of this corrective action plan.

The Help Desk not having any defined metrics was the result of not developing the documentation to assist with measuring the effectiveness. By September 1, 2020, the Help Desk function 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. Adam Harvey, Director - Support Center will be responsible for implementation of this corrective action plan.

The Help Desk not having customer service surveys was the result of getting negative feedback eight to 10 years ago when first attempted. By September 1, 2020, a customer service survey will be developed and will start sending to customers that contact the Help Desk. This survey will consist of three rating questions and one free form box, to provide detailed feedback, and will be sent out using a Google Form. This survey and results will be reviewed quarterly by the Help Desk Director. Adam Harvey, Director - Support Center will be responsible for implementation of this corrective action plan.



Internal Audit Department

Audit Report

Career Services Audit (20-013A)
of
TEXAS STATE TECHNICAL COLLEGE

June 23, 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 completed an operational audit of the Career Services Department (Career Services) as of March 31, 2020. The primary purpose of this audit was to determine the effectiveness and efficiency of services offered to students and employers to ensure career placement is optimized. As part of this audit, we reviewed placement data, the methods used to ensure students and employers participated in services, and the types of services offered. We also reviewed revenue generated by job fairs, departmental expenditures, and departmental inventory procedures for assigned assets. The audit focused on services performed from September 1, 2019 through March 31, 2020.

There are several placement goals that are monitored. Career Services utilizes a departmental placement goal of 80%. Although there are not any regulations over placement requirements, the Texas Higher Education Coordinating Board (THECB) has a placement goal of 90%. The National Association of Colleges and Employers has set its goal at 65%. Each rate is calculated slightly differently, and at different times. But, it is important to understand that Career Services continuously monitors placement rates of College students from different perspectives.

We determined the services offered by Career Services is available to all students. New students are initially made aware of these services through New Student Orientation, with ongoing opportunities at numerous campus events being well-publicized. We found that an employment portal, referred to as hireTSTC, is available to all students and interested employers. It is the primary communication method for posting and exploring job opportunities and other services. We determined each service and activity offered by each campus are documented and tracked, with a considerable amount of placement data being documented. Revenue collected from employers who participate in job fairs are deposited to a dedicated Foundation account, and Departmental expenses are legitimate, reasonable, and properly approved. Finally, assigned assets are properly accounted for and safeguarded.

We noted opportunities to increase the use of the significant data collected by Career Services to enhance their effectiveness, and made detail recommendations in a Management Letter addressed to Career Services. Those details are not provided in this report because we feel these are opportunities to be considered, but are not control deficiencies.

Introduction

The Statewide Operating Standard (SOS) ES 4.08 Alumni Follow-up and Relationship, currently being revised, sets forth expectations for following-up with alumni. Career Services' mission is to meet the workforce needs of Texas by connecting industry with qualified students. hireTSTC, the automated platform used to connect the two, allows employers to build company profiles, search prospective applicant resumes, refer job

postings, and report hires. For students, the platform assists in job searches, career research, online networking, and identifying available workshops and career events. Workshops include resume writing, interview preparation, various coaching opportunities, such as how to network and use hireTSTC.

Annually, Career Services submits a report to the THECB identifying students for whom the Texas Workforce Commission does not have any employment information. Personnel at each campus review their respective data, and contacts students/alumni requesting accurate and current employment information. According to the most recent report for fiscal year 2018, placement was 94%. Below are the placement percentages by campus:

Campus	Updated Placement Percentage
Fort Bend	93%
Marshall	94%
North Texas	98%
Waco (includes EWCHEC)	91%
West Texas (all 4 campuses)	96%
Harlingen	97%

Significant effort and resources are put into conducting job fairs during the Spring and Fall semesters. Spring 2019 and Fall 2019 fairs drew approximately 500 employers/sponsors and over 3,200 students. These fairs generated \$78 thousand from employers to help defray costs. From September 1, 2019 through March 30, 2020, we determined that 2,483 employers and 9,263 students utilized at least one of the services offered.

Career Services is led by an Executive Director who oversees, a staff of 20. Every campus has services available to its students. The function sits within the Academic Division, led by the VC/Chief Academic Officer.

Objectives

The primary purpose of this audit was to determine the effectiveness and efficiency of services offered to students and employers by Career Service. All related processes and campuses were included in our test work.

Scope & Methodology

The scope of our audit included Department services offered and expenditures made during FY 2019 through March 2020. We also included placement data from FY 2018 to review and analyze any trends since it was the most current, complete information that was available. To accomplish our objectives, we reviewed placement reports and other system generated information, interviewed employees and managers, and reviewed the services available to students. We verified services are available to all students and relevant

employers by reviewing methods and how often those services are utilized. And, we tested related expenses for reasonableness, verified revenue earned from job fairs was collected, and observed asset custody.

General Observations

There is considerable effort given to collecting relevant data, including various placement data at different points in time, and the number and types of services offered by month and by campus. Processes are standardized across campuses, and employees demonstrated a consistent understanding of the importance of their roles and services they facilitate in achieving the College's mission. Required THECB reporting is performed timely, and departmental expenses were legitimate and properly approved. During the audit, staff was courteous and helpful, and provided all information we requested.

Summary of Finding

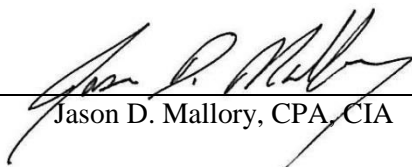
No material exceptions were identified.

Opinion

Based on the audit work performed, we found that effective and consistent career related services are being provided to students and employers statewide. There are numerous opportunities for both parties to benefit, and the function's efforts align to the College's mission. Data and information collected could be better utilized, but this opportunity does not detract from the benefits being provided. The unofficial placement rate as of June 8, 2020 is 79%, reflecting not only the quality and relevance of the education provided by the College, but also the effectiveness of support functions like Career Services.

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

June 23, 2020

Date



Internal Audit Department

Audit Report

Annual Contracting Audit (20-008.1A)
of
TEXAS STATE TECHNICAL COLLEGE

July 2, 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 completed a compliance audit of contracts related to the TSTC Airport in Waco as of January 31, 2020. The primary purpose of this audit was to verify compliance to the requirements of TEC §51.9337 added by SB 20 of the 84th Texas Legislature, and to the processes and requirements listed in TSTC's Contract Management Handbook (Handbook). SB 20 of the 84th Texas Legislature was signed by the Governor on June 4, 2015. Its purpose was to reform state agency contracting by clarifying accountability, increasing transparency, and ensuring a fair competitive contracting process. This audit was performed simultaneously with an operational audit of the TSTC Waco Airport (Airport). We felt this would be more efficient than selecting other contracts the College has, and would provide a more comprehensive review of contract performance and compliance as it relates to the Airport.

The Airport has several leases and contracts. We focused on 5 contracts executed during FYs 2019 and 2020. Contract approval, completion of the required contract review checklists, bid solicitations, and conflict of interest and contract training were tested for each contract. Several other requirements of the components of the Handbook were also tested. The contracts we tested included:

Lessor/Vendor	Purpose	Contract Value	Date Executed
Battlespace*	Lease of hangar space, campus land and ramp space at TSTC Airport.	Up to \$3,044, 233	11/1/19
Lochridge Priest	Provide utility service to the new hangars to be used by Battlespace.	\$599,963	12/6/19
Don Jackson Construction	Construct 2 new canvas hangars, shade structure, and renovate ACTI Hangar.	\$167,419	8/22/19
Don Jackson Construction	Exterior renovation of 1IME hangar.	\$249,537	10/23/19
GDI Ag, LLC*	Provide hay bailing services at Airport to reduce wildlife habitat.	\$7,700	7/8/19

** Limited performance testing of these contracts was performed in the operational audit.*

As noted in our audit conducted in FY 2019, there are continued improvements and efforts to more fully comply with TEC §51.9337 currently being made. The Contract Review Checklist (Checklist) was revised, and most notably, management is implementing Jaggaer, a contract management software that will better control the workflow of contracts,

enforce College and regulatory rules, and act as a central repository for related documents. The implementation of this system had begun prior to this audit being completed.

The 5 contracts we tested in this audit materially complied with the rules stated in TEC §51.9337 and the Handbook. All contracts were approved by the appropriate level of authority, contract checklists were completed, a competitive bid process was performed when required, and people engaged in the contracting process were generally trained. In the operational audit of the Airport that we simultaneously performed, we identified a broad need to improve contract monitoring of Airport related contracts after execution. Please refer to that report for details. In this audit, we identified isolated exceptions related to documents being signed after contracts were executed, and some personnel still needing to complete training. These issues were cited in our 2019 audit, and are currently being corrected. We did not feel the need to recite this finding in this report because the contracts we reviewed in this audit were executed prior to the completion of the 2019 audit, and the issues are being corrected. We will validate feel the benefits provided by the contract management software that is currently being implemented in our 2021 audit.

Introduction

TEC §51.9337 requires that a contract review procedures/checklist be reviewed and approved by legal counsel, policies governing contracting authority be approved by the Board, and an annual assessment by the chief internal auditor be performed to determine whether the institution has adopted the rules and policies required by this section. Additionally, Statewide Operating Standard (SOS) FA 1.16 Purchasing Authority and FA 4.4 Contract Administration outlines the purchasing and contract requirements, referencing SB20 requirements and other required processes in the Handbook. The Handbook includes ethical standards and policies, solicitation guidelines, contract formation and administration, as well as required forms such as Conflict of Interest disclosure, Delegation of Authority, Contract Review Checklist and Purchasing Accountability and Risk Analysis Procedures.

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

The Office of Contract Administration consists of an Executive Director, 3 contract managers, and a project manager, and is overseen by the Senior Executive Director of Procurement. This office along with Procurement Services, Risk Management and the Office of General Counsel, collectively work to facilitate compliance.

Objectives

The primary purpose of this audit was to verify compliance to TEC §51.9337, internal policy, the Handbook, and the contract review checklist for 5 contracts executed in fiscal years 2019 and 2020 related to the TSTC Airport. Those contracts included a lease agreement with Battlespace Inc for \$3,044,233, a construction contract with Lochridge Priest, Inc. for utility services totaling \$599,963, two construction contracts with Don Jackson Construction, Inc. for new hangars and hangar renovations for \$167,419 and \$251,711, respectively, and a service agreement for hay baling services with GDI Ag, LLC, valued at \$7,700.

Scope & Methodology

The scope of our audit included 5 contracts recently executed in fiscal years 2019 and 2020. Our methodology consisted of verifying requirements stated in TEC §51.9337, SOS FA 1.16 Purchasing Authority and FA 4.4 Contract Administration were met in the execution and performance of these contracts. Training and conflict of interest disclosures of personnel involved in these contracts were also tested. The Handbook and contracting review checklist were included in our testing as were other documents specified in the guidance that we used as a basis for the audit. To accomplish our objectives, we reviewed each contract, and verified the appropriate documents, approvals, and training were in place. The Office of Contract Administration was our primary contact.

General Observations

Management has established contracting procedures that include a Handbook, contract review checklist and a delegation of authority which details the types and amounts of contracts specific personnel may execute. The Office of Contract Administration recently provided a user acceptance testing workshop with select employees to get acquainted with Jaggaer's features and offer feedback prior to implementation. With an implementation date of March 31, 2020, they have made considerable efforts in continuing to improve contract management and compliance. The lack of significant issues for the contracts we reviewed in this audit demonstrates best the improvement that has been made since our first audit in FY 2016.

Summary of Finding

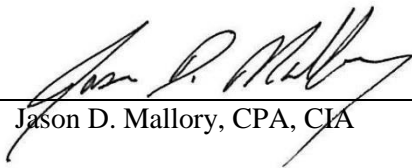
No material compliance exceptions were identified. We identified contract management exceptions in other Airport related contracts in the operational audit of the Airport we conducted concurrently with this one. Please refer to that report for that finding.

Opinion

Based on the audit work performed, the 5 Airport related contracts we reviewed in this audit materially complied with TEC §51.9337 and the Contracting Handbook. The College has developed processes, and continues to improve those processes, to achieve compliance with TEC §51.9337. With the full implementation of Jaggaer, we anticipate future compliance deviations to be eliminated.

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

July 2, 2020

Date



To: Audit Committee
 From: Jason D. Mallory, Audit Director
 Subject: TAC 202 Compliance – Quarterly Update
 Date: July 3, 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 April 1 through June 30, 2020, **8** 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
Jan 2020 – Mar 2020	53	19	12	2	86
Oct 2019 – Dec 2019	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
Jan 2020 – Mar 2020	33	11	5	0	49
Oct 2019 – Dec 2019	33	11	5	0	49
Change	0	0	0	0	

Perceptive Content

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2020 – Mar 2020	23	14	12	0	49
Oct 2019 – Dec 2019	23	14	12	0	49
Difference	0	0	0	0	

Maxient

Original Audit: February 25, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2020 – Mar 2020	33	3	13	0	49
Oct 2019 – Dec 2019	30	3	16	0	49
Difference	+3	0	-3	0	

Google Suite

Original Audit: December 10, 2018

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2020 – Mar 2020	36	7	6		49
Oct 2019 – Dec 2019	33	7	9	0	49
Difference	+3	0	-3	0	

Target X

Original Audit: September 30, 2019

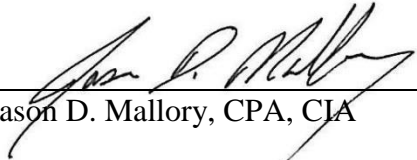
Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2020 – Mar 2020	25	1	23	0	49
Oct 2019 – Dec 2019	25	1	23	0	49
Difference	0	0	0	0	

Informatica Server

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2020 – Mar 2020	38	0	11	0	49
Oct 2019 – Dec 2019	36	0	13	0	49
Difference	+2	0	-2	0	

Submitted by:


 Jason D. Mallory, CPA, CIA

July 3, 2020

Date

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

Texas Workforce Commission

A Member of Texas Workforce Solutions

Bryan Daniel, Chairman
Commissioner Representing
the Public

Julian Alvarez
Commissioner Representing
Labor

Aaron Demerson
Commissioner Representing
Employers

Edward Serna
Executive Director

Report Emailed to: jonathan.lasley@tstc.edu

May 15, 2020

Mr. Jonathan Lasley
Senior Executive Director
Texas State Technical College Waco
3801 Campus Dr.
Waco, Texas 76705

Subject: Contract #: 2918PEB000
Contract Period: September 1, 2017 – August 31, 2022
Contracted Services: External Data Exchange

Dear Mr. Lasley:

On April 17, 2020 the Texas Workforce Commission (TWC) conducted a desk review of the above referenced contract. The desk review period was October 1, 2019 through December 31, 2019. The purpose of this review was to determine your compliance with contract requirements and to provide technical assistance as needed.

The report describing the findings identified during the desk review is attached. Each finding is considered a contractual violation and requires a corrective action. The report includes the following sections:

- Finding (description of the deficiency);
- Standard or Criteria (citation of the requirements that were not met);
- Customer Cases Affected (if applicable);
- Corrective Action; and
- Contractor Response.

In the space provided for your response to **each finding**, you must:

- summarize the actions you will take to correct the noted deficiency; or
- include a detailed explanation, if you do not agree with the finding. The explanation must include the specific reasons you disagree with the finding and any additional substantive documentation refuting the finding.

The finding report, along with your detailed corrective action plan/response, and/or any requested documentation must be received at the email address or physical address provided below no later than June 4, 2020.

Texas Workforce Commission
Contract Administration Unit
ATTN: M. Sonja Elizondo
1117 Trinity St., Rm 342T
Austin, Texas 78701
Email: Sonja.elizondo@twc.state.tx.us

Once your corrective action plan has been received and reviewed, TWC will notify you if

- your corrective action plan is approved,
- further information or corrective action is needed.

If you have any questions, you may contact me at the email address above.

Sincerely,

M. Sonja Elizondo

M. Sonja Elizondo
Contract Administration Unit
Texas Workforce Commission

Enclosure(s): Initial Report

Cc: Laurie Shannon, Director of Contract Administration
Contract Management File

Initial Report of Findings

Contracted Services Reviewed: External Data Exchange

Finding #1

A review of the quarterly self-assessment reports (QSARs) submitted within the review period shows that the October 2019 report was submitted early (September 27, 2019). The report for the quarter being reviewed showed it was received late (January 6, 2020). The review was expanded to include January, April and July of 2019. All three (3) were received late.

Standard or Criteria: TWC Contract, Attachment A, Section 3.3.6:

Self-Assessment Report. Recipient shall submit to Agency a fully executed Quarterly Self-Assessment Report, Attachment H, on the next-occurring quarterly filing date after the Begin Date, and on each quarterly filing date for as long as this Contract is in effect. The quarterly filing dates are January 1, April 1, July 1, and October 1. Each report must have been signed within thirty (30) days preceding submission.

Recommendation: Contractor will submit a corrective action plan that addresses this finding.

Contractor Response

TSTC will begin submitting the QSARs, to TWC, three (3) weeks in advance of the contractual deadline, in order to provide ample time to complete the QSARs, and receive confirmation of its receipt. I (Jonathan Lasley) believe this will provide a new standard of practice regarding the TWC contract, one that will rectify this finding moving forward.



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.