

# **Board of Regents**

## **Audit Committee**

### **Meeting**

**February 7, 2018  
Waco, Texas**



**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**

**Wednesday, February 7, 2018  
10:45 a.m.**

**AGENDA**

- I. Meeting Called to Order by Audit Committee Chair Ivan Andarza**  
[Ivan Andarza, Joe Gurecky]
- II. Committee Chair Comments**
- III. Minute Order:  
Proposed MO**  
  
None.
- IV. Reports:**
  - Status of Fiscal Year 2018 Audit Schedule & Other Projects .....A-3
  - Summary of Audit Reports .....A-4
  - Follow-up Schedule & Status .....A-6
  - North Texas: Industrial Maintenance – Departmental Audit.....A-10
  - Provost Office – Departmental Audit (North Texas Campus).....A-15
  - Facilities: Facilities Development Project Compliance Audit  
(Waco Campus) .....A-20
  - Police: Evidence Room Audit (Waco & Harlingen Campuses) .....A-23
  - Financial Aid: Review of Cohort Default Rates .....A-26
  - College Readiness: Final Annual Program Report – GED/Career Path Initiative  
Contract (Harlingen Campus) .....A-31
  - Financial Aid: Follow Up Audit of TEXAS Grant.....A-36

Attestation Disclosures .....	A-38
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## **V. 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 previous meetings. The estimated times are approximate and may be adjusted as required with no prior notice. Lunch will be at approximately noon.



**Texas State Technical College**  
**Internal Audit**  
**Status of Fiscal Year 2018 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date
<b>INTERNAL AUDITS</b>				
Public Funds Investment Act Audit	Financial Services	Complete	18-002A	9/1/2017
Audit of Select Controls on Demand Deposits	Financial Services	Complete	18-002.1A	9/1/2017
Departmental Audit - Industrial Maintenance	North Texas	Complete	18-011A	11/3/2017
Departmental Audit - Provost Office	North Texas	Complete	18-010A	11/3/2017
Facilities Development Project Compliance Audit	Facilities - Waco	Complete	18-019A	11/27/2017
Evidence Room Audit	Waco & Harlingen Police Departments	Complete	18-021A	12/7/2017
Review of Cohort Default Rate	Financial Aid	Complete	18-022A	12/12/2017
TAC §202 Compliance Audit	OIT	In Progress		
PCI Compliance Audit	Finance/OIT	In Progress		
Benefits Proportionality Internal Audit	Financial Services	In Progress		
External Quality Assessment Review	Internal Audit	In Progress		
TEC §51.217 Safety Audit	Cross-Divisional	In Progress		
TEC §51.9337 Contracting Audit	Purchasing			
Departmental Audit	TBD			
Departmental Audit	TBD			
Internal Penetration Test (Marshall)	OIT			
Internal Penetration Test (West Texas)	OIT			
Inventory Follow-up Audit	Cross-Divisional			

**EXTERNAL AUDITS**

Department of Education: Final Program Review Determination	Financial Aid	Complete		7/20/2017
Workforce Solutions - Cameron County - Monitoring Review of Contract 2416 TCY2-00	College Readiness - Harlingen	Complete	18-008A	9/5/2017
THECB: Follow Up Audit of TEXAS Grant	Financial Aid	Complete		1/10/2018
State Auditor's Office: Benefits Proportionality (2016 & 2017)	Financial Services	In Progress		
State Auditor's Office: A-133 Follow-up	Financial Aid - Harlingen	In Progress	18-001A	
State Auditor's Office: A-133 Follow-up	Financial Aid - Marshall	In Progress	18-001A	
THECB: 2017/2018 Programmatic Desk Review of the Perkins Basic Grant	Sponsored Programs	In Progress	18-023A	

**OTHER INTERNAL PROJECTS**

Risk Assessment - Purchasing	Procurement	Complete	18-006RA	8/18/2017
Re-calculation of Salaries - Workforce Development	Workforce Development	Complete	18-004P	8/23/2017
Donation Process Review - Welding	Instructional -Brownwood	Complete	18-007I	10/9/2017
SAO Hotline: Allegation of inappropriate purchasing and bonuses. Results: Conflict of interest procedures, as well as regulations governing merit increases and bonuses were followed. Found no evidence of fraud, waste or abuse.	Central Administration	Complete	18-015I	10/31/2017
Internal Hotline: Allegation of employees abusing time. Results: Allegation was referred to individual supervisors to remind employees of College expectations if they were studying during working hours. The AVC stated she would require all VPSLs to remind faculty that work on their own studies must take place after working hours.	Instructional - Abilene	Complete	18-017I	11/17/2017
SAO Hotline: Instructional quality in a program is poor because the former lead instructor was replaced. Results: Determined the allegation had no merit.	Instructional - Harlingen	Complete	18-020I	12/15/2017
Business Process Risk Assessment	Ft. Bend			



**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
Instructional: Industrial Maintenance - Departmental Audit (North Texas Campus) (18-011A)		No material exceptions noted.			
Provost Office: Departmental Audit (North Texas Campus) (18-010A)		No material exceptions noted.			
Facilities: Facilities Development Project Compliance Audit (Waco Campus) (18-019A)		No material exceptions noted.			
Police: Evidence Room Audit (Waco & Harlingen Campuses) (18-021A)		No material exceptions noted.			
Financial Aid: Review of Cohort Default Rates (18-022P)		Official cohort default rates are within required limits.			

Report Name & No.		Audit Finding	Summary of Finding Support		Management's CAP(s)		Resp. Sr Mgr	Expect. Complete Date
College Readiness: Final Annual Program Report - GED/Career Pathway Initiative Contract (performed by Workforce Solutions - Cameron County)		No material exceptions noted.						
Financial Aid: Final Up Audit of TEXAS Grant (performed by THECB)		Recommendation from the Compliance Audit of TEXAS Grant issued August 31, 2016 was implemented.						



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

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
<b>Harlingen, Waco, Marshall, WT, Sys Ops: 2014 Employee Time Reporting Audits, Rushing</b>	1.	The forms used to report time should be enhanced to capture more information on the compensatory time that is being requested so as to assist HOD with verifying the time calculation. This would benefit employees by further ensuring they are credited with the correct amount of compensatory time.	1.2 HOD will review (and revise if necessary) all existing policies and procedures related to leave and compensatory time to ensure compensatory time is handled consistently throughout the System.	<b>Partially Complete:</b> HR personnel have been trained to better scrutinize all manual time sheets. In January 2016, an IT project was approved to create a single State-wide application to manage leave requests, accruals, and timesheets. This system will be computing device agnostic.	Human Resources has worked with OIT to develop an online timekeeping system. The new system is in the final programming prototype stage. It should be ready for release for testing by late fall, January at the latest. Human Resources anticipates rolling the new product out in early spring 2018.	4/1/2018
			1.3 Depending on availability of IT programming personnel, HOD will facilitate enhancements of the current leave system to accommodate automation of compensatory time recording and calculation.	See above.	See above.	
			1.4 Once the method for time reporting is determined, System-wide training will be implemented.	See above.	See above.	
<b>Marshall: A-133 Audit (performed by the SAO), Wolaver</b>	1.	Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	The College is developing new procedures to prevent recurrence of the issue. New reports have been created and will be thoroughly tested during the Spring 2018 semester. While we do not anticipate a need to re-programming, we will request it. We anticipate the action to be complete by 01/31/18.	<b>Ongoing:</b> At 10/12/17, SAO performed follow-up testing and did not find any exceptions related to cost of attendance. However, they found one over award unrelated to COA, and elected to not remove the finding.		2/1/2019
<b>Cybersecurity Audit (15-049A), Herrera</b>	1.	Controls related to wireless access and mobile devices need to be improved, as well as overall IT security training and awareness.	1.1 Due to network and hardware configuration, the following TSTC networks do not have separate guest and secure wireless: Sweetwater, Brownwood, Breckenridge, Abilene and Marshall. We are currently in the stages of correcting Brownwood and Breckenridge. The estimated completion date is October 31, 2015. Sweetwater and Marshall should be completed by July 2016 and Abilene by October 2016.	<b>Substantially Complete:</b> As of 1/8/18, the Sweetwater campus is the only remaining campus left to validate that the wireless networks (secured vs guest) are segregated.	Per Director of CyberSecurity on 1/8/18, the wireless networks in Sweetwater have been segregated.	Pending Review

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
<b>Internal Network Penetration Test (16-016A), Herrera</b>	1.	We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end-user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers.	We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT.	<b>Substantially Complete:</b> 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. On 10/2/17, the Director of Cybersecurity indicated Dell One is being purchased which will resolve the remaining item. Expected completion date is being moved up from 8/31/19 to 8/31/18. On 1/4/18, we verified Dell One had been purchased, but not yet installed.	Per Director of CyberSecurity on 1/8/18,, a project kickoff meeting will be held later this month. They still estimate the rollout completion to before the end of FY 2018.	8/31/2018
<b>Reconciliation of Statewide TSI Exam Fees (17-012A), Kilgore, Hoekstra</b>	1.	Stronger controls need to be established to account for all earned exam fees, regardless of whether they are collected or waived.	1.5 The Statewide leads for Advisement & Testing and Student Accounting will meet quarterly to reconcile the accounts. A report will be provided to the AVC/Financial Services and VP/Enrollment Services.	<b>Ongoing:</b> At 1/8/18, we were informed by the AVC/Financial Services that a reconciliation has been prepared. That reconciliation is still pending our review once it is forward to us.		Pending Review
<b>Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17-022A), Hoekstra</b>	1.	We identified numerous exceptions related to inventory control in the Welding Department.	1.1 There was a need to review existing policies and procedures related to the inventory process. As a result, a team composed of approximately 15 employees representing, procurement, inventory, grants, and the TSTC foundation was created to look at existing processes and make recommendations to streamline and standardize processes as appropriate. This team began meeting in December 2016 and currently meets every two weeks. The first order of business for the team was to create a list of all the different activities and functions related to inventory and create sub-groups to work on each of the 18 topics identified. The topics include items such as: review of SOS's, standardizing inventory tags, review forms, and review the inventory process for assets acquired using TPFA funds, etc. The group will continue to meet on a regular basis until all items have been reviewed and any recommended changes have been implemented. The topics that include items related to the findings from this audit will be given the highest priority to ensure standard processes are developed and followed by all inventory teams statewide.	<b>Ongoing:</b> We are aware that the team referenced in the CAP is actively meeting, and addressing inventory issues. We have forwarded them issues identified in prior audits, and have had conversations with team members about planned improvements. As of 10/12/17, their efforts are still on-going. In March 2018, we will perform an extensive review of inventory controls throughout the College to ensure all assets and controlled items are properly accounted for.		TBD



Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
TAC §202 Compliance Audit (17-002A), Herrera	1.	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.	<b>Ongoing:</b> As of 1/2/18, Internal Audit determined that efforts were still ongoing to implement all missing controls.		TBD

Annual Compliance Audit of TEC §51.9337 (17-028A, Hoekstra & Rushing)	1.	A single contracting policy noting specific requirements of TEC §51.9337 still needs to be created, and subsequently adopted by the Board of Regents.	1.1 A contract management handbook, contract delegation of authority guidelines, and training protocols have been developed with assistance from our Office of General Counsel. A Statewide Operating Standard on contract management will be developed and presented to the Board for approval at their February meeting. This Contract Management SOS will contain delegation of authority protocols that will supersede all other delegations of authority included in existing SOSs.	<b>Ongoing:</b> As of 12/21/17, a proposed Contract Administration SOS has been created. The SOS was sent to OGC and Risk Management for review; therefore, will not be presented at the February 2018 BOR meeting.		2/1/2018
			1.2 The delegation of authority language included in existing SOSs will be removed as each SOSs is reviewed during the normal course of business.	<b>Ongoing</b>		TBD
	2.	Exceptions related to training, contract risk analysis, contract execution by unauthorized individuals, and other documentation exceptions indicate some of the requirements have not yet been fully implemented.	2.1 In FY2016 all employees with delegated authority to execute contracts were trained on contract management procedures. In FY2017, several training sessions were conducted; however, these were not mandatory and we didn't achieve 100% participation. Although Senate Bill 20 does not specifically set the frequency for contract related training, we agree with the recommendation to offer this training on an annual basis and to make it a mandatory training for employees with delegated authority to execute contracts. With assistance from Professional Development Office, work is already underway to develop a training module available via our LMS. Training for the Board will also be developed.	<b>Ongoing</b>		2/28/2018
			2.2 A formal risk analysis procedure will be developed and implemented.	<b>Ongoing</b>		2/28/2018
			2.3 Delegation of authority guidelines will be covered during the annual mandated contract management training, general procurement training, and by email to all employees when the SOS on Contract Management is approved.	<b>Ongoing</b>		3/31/2018

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
Audit of Select Controls on Demand Deposits (18-002.1A), Hoekstra	1.	Access to demand deposits need to be better controlled.	1.1 Recently approved Minute Order 08-17(c) authorizing the Chancellor or his designee to make changes to signature authorizations will now allow updates to be done in a more timely manner. Further, the monthly bank reconciliation document has been modified to include a checklist item to verify that signature authorizations are either up to date or in process. Regarding online access to financial institutions, the Financial Services office has now been designated to manage online access for all statewide users, and policies for appropriate users, access levels, and timely monitoring are currently being developed.	<b>Partially Complete:</b> As of 1/2/18, the monthly bank reconciliation document has been modified to include a checklist item to verify that signature authorizations are either up to date or in process. The online access management has not been resolved yet.		TBD

## **Internal Audit Department**

### **Audit Report**

**Departmental Audit of Industrial Maintenance Instructional Department  
(18-011A)**

**TEXAS STATE TECHNICAL COLLEGE**  
**North Texas Campus**

**November 3, 2017**

**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 departmental audit of the Industrial Maintenance Instructional Department (Department) on the North Texas Campus as of September 30, 2017. The audit focused on compliance to numerous College policies related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, IT security, the campus clearance process, and extra pay items. The following table summarizes the areas reviewed, and our results:

Topic	Test Focus	Results
Purchasing	Split purchases, proper approvals, proper documentation, clear benefit to College, completed training purchasing training.	In compliance.
Procurement Cards	Secure custody of cards, monthly completion and reconciliation of logs, legitimate purchases, proper approvals, split purchases, training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Travel	Legitimacy of travel, proper approval, correct State rates.	Not applicable.
Inventory Control	Assets are secured, physical inventory was accurately completed within the last year, any transferred, missing, or disposed of items have the appropriate documentation on file.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Cash Handling	Access to cash is properly restricted, all cash on hand is accounted for, and there are proper segregation of duties in place.	Not applicable. The Department does not handle cash.
Work Study	Student workers schedules and duties, validity of timesheets, financial need of students.	Not applicable.
Staffing Levels	Appropriateness of staffing levels.	Levels appeared appropriate.
Employee Leave	Approval for all leave, appropriate documentation on	In compliance.

	file for extended leaves of absences.	
Performance Evaluations	Written employee performance evaluations performed in the past year.	In compliance.
Safety	Safety awareness and compliance to hazardous chemicals, fire extinguishers, indoor air quality, eyewash and showers stations, concealed handgun policy, small appliance policy, driver safety program.	In compliance.
Minors on Campus	Appropriate training and background checks.	Not Applicable.
Required Training	Driver Safety, Information Security Awareness, Active Shooter, Title IX	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Time Keeping	Unusual entries, proper approval, timely submission, and overtime amounts on timesheets.	Not applicable.
IT	Password protected screensavers, appropriate Colleague access, Identity Finder software, use of OIT servers, social engineering.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Campus Clearance	Verified that terminated employees do not have IT access, inventory assigned, College keys were returned, and paychecks were stopped at the termination date.	Not applicable.
Extra Pay Items	Reviewed extra pay items for departmental employees to ensure they are appropriate.	All extra pay items are appropriate.

Overall, the Department is in compliance with the governing policies tested. As noted above, isolated exceptions were identified, but there are no material instances of non-compliance noted. Those incidences were discussed with management, and corrective action was implemented.

## **Introduction**

The Industrial Maintenance Instructional Department in North Texas offers both an Associate of Applied Science – Industrial Maintenance Electrical Specialization degree and an Industrial Maintenance Mechanic - Electrical certificate. The AAS degree program of study is 4 semesters long and requires students to complete 60 credit hours. The certificate program is 4 semesters long and requires 45 credit hours. There are three full time instructors. For the Fall 2017 semester, the program has 82 students enrolled. Industrial Maintenance students learn to install, operate, test and maintain equipment. They are taught the skills needed to repair and maintain pumps, valves, motors, steam turbines, air compressors, hydraulic presses, pneumatic equipment, and conveyor systems. Job opportunities for these students include Electrical and Electronics Engineering Technicians, Electro-Mechanical Technicians, and Industrial Machinery Mechanics.

The Department had total expenditures of \$150,031 for fiscal year 2017 using appropriated funds. Those expenditures were comprised of \$123,097 in salaries and \$26,934 in other operating cost. The other operating cost includes consumables, such as lab supplies, and equipment for the Industrial Maintenance lab on campus.

## **Objectives**

The objective of the audit was to ensure the Department acted in accordance to College policy in the select areas previously noted.

## **Scope & Methodology**

The scope of our audit included all Departmental activities and transactions in fiscal year 2017 related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security. The following Statewide Operating Standards and other guidelines formed the basis of our testing: FA 1.16, FA 5.4, Procurement Card Program Guidelines and training, FA 6.1, FA 1.13, FA 1.19, FA 2.1, FA 2.2, IFAP Volume 6 Chapter 2, HR 2.3.12 through HR 2.3.14, HR 2.3.18, HR 2.2.3, HR 2.2.8, GA 5.1.1 through GA 5.1.7, and GA 1.6.1 through GA 1.6.12 We also reviewed departmental staffing levels, the campus clearance process, extra pay items, and required training participation.

## **General Observations**

The North Texas Industrial Maintenance Department helps the College fulfill its State mandated mission of Placing More Texans by having 76 students currently enrolled in the AAS program and 6 students currently enrolled in the certificate program. The department graduated 6 students in fiscal year 2017. The Department teaches in state of the art facilities with modern equipment, and the instructors are very hands-on while teaching. They are mindful to comply with College policies while fulfilling their responsibilities. The instructors were very receptive to our recommendations during this audit.

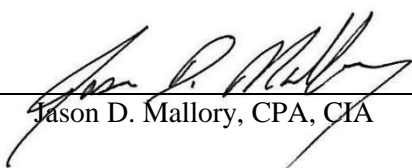
### Summary of Findings

No material exceptions were identified.

### Opinion

Based on the audit work performed, we determined the Department is in compliance with the College policies tested in this audit. We would like to express our gratitude for the time and assistance provided by the staff during this audit.

Submitted by:

  
\_\_\_\_\_  
Jason D. Mallory, CPA, CIA

November 3, 2017

\_\_\_\_\_  
Date

## **Internal Audit Department**

### **Audit Report**

#### **Departmental Audit of the North Texas Provost's Office (18-010A)** **TEXAS STATE TECHNICAL COLLEGE**

**November 3, 2017**

**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 North Texas Provost's Office (Department) as of September 30, 2017. The audit focused on compliance to numerous College policies related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, IT security, campus clearance, and extra pay items. The following table summarizes the areas reviewed, and our results:

Topic	Test Focus	Results
Purchasing	Split purchases, proper approvals, proper documentation, obvious benefit to College, completed training purchasing training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Procurement Cards	Secure custody of cards, monthly completion and reconciliation of logs, legitimate purchases, proper approvals, split purchases, training.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Travel	Legitimacy of travel, proper approval, correct State rates.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Inventory Control	Assets are secured, physical inventory was accurately completed within the last year, any transferred, missing, or disposed of items have the appropriate documentation on file.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Cash Handling	Access to cash is properly restricted, all cash on hand is accounted for, and there are proper segregation of duties are in place.	Not applicable. The Department does not handle cash.
Work Study	Student workers schedules and duties, validity of timesheets, financial need of students.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Staffing Levels	Appropriateness of staffing levels.	Levels appeared appropriate.
Employee Leave	Approval for all leave, appropriate documentation on	In compliance.

	file for extended leaves of absences.	
Performance Evaluations	Written employee performance evaluations performed in the past year.	In compliance.
Safety	Safety awareness and compliance to hazardous chemicals, fire extinguishers, indoor air quality, eyewash and showers stations, concealed handgun policy, small appliance policy, driver safety program.	In compliance.
Minors on Campus	Appropriate training and background checks.	Not applicable. The Department does not regularly interact with minors.
Required Training	Driver Safety, Information Security Awareness, Active Shooter, Title IX	In compliance.
Time Keeping	Unusual entries, proper approval, timely submission, and overtime amounts on timesheets.	Not applicable. Department does not have any non-exempt employees.
IT	Password protected screensavers, appropriate Colleague access, Identity Finder software, use of OIT servers, social engineering.	In compliance. Isolated exceptions and management recommendations, but no material exceptions.
Campus Clearance	Verified terminated employees do not have IT access, inventory assigned, College keys were returned, and paychecks were stopped at the termination date.	In compliance.
Extra Pay Items	Reviewed extra pay items for departmental employees to ensure they are appropriate.	All extra pay items are appropriate.

Overall, the Department was in compliance with the governing policies tested. As noted above, isolated exceptions were identified, but none represented material non-compliance. Those incidences were discussed with management, and corrective action was implemented.

## **Introduction**

The North Texas Provost's Office consisted of the Provost and an administrative assistant. The Department had total expenditures of \$145,078 for fiscal year 2017. Regarding the expenditures, the total amounts were from local and appropriated funds. The actual expenditures in fiscal year 2017 were \$132,610 in salaries, \$877 in travel, and \$11,591 in other operating cost.

The Provost is responsible for administrative oversight, execution of policies and strategic initiatives, and the overall management of daily operation for the North Texas campus. He fosters a positive work culture that helps make TSTC a great place to work. He is also responsible for building and maintaining relationships throughout the community. This is accomplished by participating in speaking engagements, serving on community committees, and communicating with local and regional elected officials.

## **Objectives**

The objective of the audit was to ensure the Department acted in accordance to College policy in the select areas previously noted.

## **Scope & Methodology**

The scope of our audit included all Departmental activities and transactions in fiscal year 2017 related to purchasing, travel, inventory control, cash handling, work study, employee leave, select HR rules, safety, training, and IT security. The following Statewide Operating Standards and other guidelines formed the basis of our testing: FA 1.16, FA 5.4, Procurement Card Program Guidelines and training, FA 6.1, FA 1.13, FA 1.19, FA 2.1, FA 2.2, IFAP Volume 6 Chapter 2, HR 2.3.12 through HR 2.3.14, HR 2.3.18, HR 2.2.3, HR 2.2.8, GA 5.1.1 through GA 5.1.7, and GA 1.6.1 through GA 1.6.12. We also reviewed departmental staffing levels, required training participation, the campus clearance process, and extra pay items.

## **General Observations**

The North Texas Provost Office oversees the North Texas Campus. The campus currently offers 10 different instructional programs. The campus contributed to the Colleges overall mission of placing more Texas by graduating 62 students in the 2016 – 2017 academic year. The Department is mindful to comply with College policies. When minor instances of non-compliance were discovered during the audit, the Department took steps to immediately resolve the issues.

## **Summary of Findings**

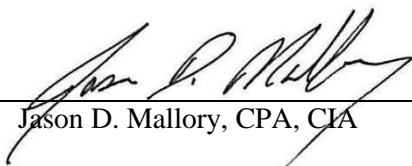
No material exceptions were identified.

### Opinion

Based on the audit work performed, we determined that the North Texas Provost's Office is generally in compliance with the College policies tested in this audit. All issues of non-compliance were immediately addressed, and were minor in nature.

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

Submitted by:

  
\_\_\_\_\_  
Jason D. Mallory, CPA, CIA

November 3, 2017  
\_\_\_\_\_  
Date

**Internal Audit Department**

**Audit Report**

**Facilities Development Project Compliance Audit (18-019A)  
of  
TEXAS STATE TECHNICAL COLLEGE  
Waco Campus**

**November 27, 2017**

**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 Waco Campus from the time period of August 31, 2012 through August 31, 2017. 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 Waco 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, 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 College policy, the Board of Regents must approve any construction related contracts/projects over \$500,000. 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 5 projects that were selected for review and summarizes the results of our testing:

Project	Funding Source	TSTC BOR Approved	THECB Review
EWCHC	Bonds, Designated Tuition	Yes	Yes
Rehabilitation of runway, ramp, apron	FAA/TxDOT Grant, TSTC Airport Funds	Yes	Not required
Phase II JBC	Designated Tuition, HEAF, Ins. Proceeds	Yes	Not required
11-1 Hanger	L3 Communications, WMCEDC, TSTC Airport Fund, Loan/grant	Yes	Not required
JBC 3 <sup>rd</sup> Floor Renovations	HEAF Funds/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, 2012 through August 31, 2017.

### **Scope & Methodology**

The scope of our audit included a sample of Waco construction related projects from August 31, 2012 through August 31, 2017 with project costs greater than \$500,000. To accomplish our objectives, we reviewed 5 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 by reviewing their website.

### **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.

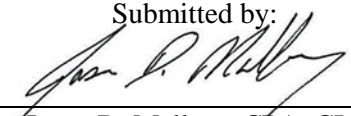
### **Summary of Findings**

No material exceptions were identified.

### **Opinion**

Based on the audit work performed, we determined that facilities development projects performed on the Waco Campus between August 31, 2012 and August 31, 2017 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 27, 2017

\_\_\_\_\_  
Date

**Internal Audit Department**

**Audit Report**

**Audit of Police Evidence Rooms (18-021A)  
of  
TEXAS STATE TECHNICAL COLLEGE  
Waco & Harlingen Campuses**

**December 7, 2017**

**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 1 and 4, 2017, we performed surprise audits of the evidence rooms (Rooms) in the police departments on the Waco and Harlingen campuses. These audits were requested by the Chiefs of Police as a way to ensure the controls over the evidence remain strong. The integrity of that evidence is often crucial to the successful prosecution of crimes. Furthermore, because the Rooms contain illegal drugs and weapons confiscated during arrests, security is paramount.

The primary objectives of this audit were to ensure all evidence maintained in the Rooms was present or accounted for, and that access to the Rooms 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 Rooms and related documentation.

We were able to find all evidence we traced, with one minor exception. And controls were adequate for both Rooms to ensure the contents are safeguarded from damage, loss, and theft. The minor exception related to property we were unable to locate in the Harlingen Room. The property was found in 2006, rather than being tied to a criminal case. Reportedly, it was either destroyed when transitioning custody from one officer to another, or incidentally placed in another bin. We do not feel this exception warrants further comment in this report since the property was not related to a crime, the value was very minimal, and no other exceptions were identified.

## **Introduction**

The campus police departments confiscate 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 rooms are established to safely store property until the district attorneys dispose 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.

The Rooms contain illegal drugs (mostly marijuana), various weapons, to include guns and knives, and any other property that was confiscated or found. Both Rooms are restricted to only select police officers, with records maintained of all items that are stored in them. Destruction or disposal of property tied to criminal cases occurs only after the respective district attorneys communicate a disposition of the case, and, for drugs and weapons, only after proper approval from the Court. All other property can be disposed of after a specified timeframe.

## **Objectives**

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

### **Scope & Methodology**

The scope of our audit included all property stored in the Rooms as of December 1 and 4, 2017. 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**

The Chiefs of Police have established proper controls over the Rooms to ensure the integrity and security of evidence related to criminal matters. They are diligent in their efforts to limit access to the Rooms, and treat the contents as highly sensitive. On the Waco campus, dual access controls, electronic locks, cameras, locking safes, and cameras have been deployed. While identical controls have not been implemented in Harlingen, they rely upon single access, entry logs, and sealed evidence bags as some their primary controls.

### **Summary of Findings**

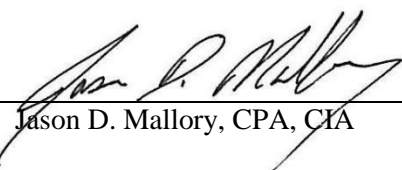
No material exceptions were identified.

### **Opinion**

Based on the audit work performed, all evidence maintained in the evidence rooms were present or accounted for, and access to them was restricted and monitored.

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

Submitted by:

  
\_\_\_\_\_  
Jason D. Mallory, CPA, CIA

December 7, 2017

\_\_\_\_\_  
Date

December 12, 2017

To: Regent Ivan Andarza, Audit Committee Chairman

From: Jason D. Mallory, Director of Audits

Subject: Review of Cohort Default Rates (18-022P)

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### **Background**

In the late 1980's, the Department of Education (ED) initiated the process of measuring default rates on federal student loans, and imposing sanctions on colleges where the rates of their former students were higher than defined thresholds. This process began as a way to reduce the number of unscrupulous colleges from awarding student loans to academically unqualified students who oftentimes never graduated, and were subsequently unable to repay loans they received.

Currently, the ED measures and publishes each September the Cohort Default Rates (CDRs) for each college that awarded federal student loans. The CDRs measure the number of borrowers from a given period, known as a cohort, who have defaulted on their student loans within three years from the time they first enter into repayment. CDRs from the three most recent cohorts in which complete data is available is presented each year. In September 2017, the CDR for the 2014 cohort was calculated and released along with the previously calculated CDRs for the 2012 and 2013 cohorts. The following chart illustrates relevant time periods for calculating and publishing CDRs for these cohorts.

### ***Three Year Cohort Default Rate Measurement Timeline***

Cohort Fiscal Year	Default Period	CDR Calculation Ends	Year Initially Published
2012	10/1/11 to 9/30/14	9/30/14	September 2015
2013	10/1/12 to 9/30/15	9/30/15	September 2016
2014	10/1/13 to 9/30/16	9/30/16	September 2017

There are both benefits and severe penalties for colleges whose CDRs are below or above the defined thresholds as described in the charts below. The penalties can be appealed, however, they are automatic unless the appeal is successful, or an adjustment is granted. An appealing school would also be liable for certain loan origination costs associated with loans disbursed during their appeal process.

### ***BENEFITS for having low CDRs***

Eligible School	Benefits
A school with a cohort default rate of less than <b>15%</b> <u>for each of the three most recent cohorts</u> .	May disburse in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period.  May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.

*Note: There are other benefits and thresholds, but are not included here because they do not apply to TSTC.*

### ***PENALTIES for having high CDRs***

Eligible School	Penalties
A school's <u>three</u> most recent official cohort default rates are <b>30%</b> or greater.	Loss of Direct Loan and Pell Grant program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.
A school's official cohort default rate for the <u>most recent cohort</u> is greater than <b>40%</b> .	Loss of Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.

*Note: The inability to offer Direct Loans or Pell Grants would essentially cease operations at TSTC.*

Colleges try to reduce borrower default rates by contacting at-risk borrowers during the initial three years of their repayment periods to educate them on the consequences of default, and to assist them in setting up alternative payment schedules, payment deferments or forbearances. They also counsel borrowers prior to receiving loans and just before they graduate. While there are other processes and factors that contribute low default rates, those just mentioned can be directly linked to reducing the CDRs. TSTC has contracted with Wright International Student Services (WISS) to monitor its at-risk borrowers. The average annual cost for their services over the last three fiscal years has been approximately \$200 thousand. Employees in the Financial Aid Department provide the counseling services to new and graduating borrowers.

### **Purpose & Procedures**

I reviewed the official CDRs published by the ED on September 27, 2017 to verify the rates associated with TSTC were within the allowable thresholds. I also inquired about the procedures relied upon to ensure the rates remain satisfactory, reviewed documentation provided by WISS (our 3<sup>rd</sup> party servicer previously mentioned), and participated in a monthly meeting between WISS and the Financial Aid Directors. Finally, I compared the CDRs from the 2012, 2013, and 2014 cohorts to national and state rates to identify any positive or negative trends.

### **Results**

I determined that TSTC's CDRs for the 2012, 2013, and 2014 cohorts are well within the required thresholds. The following charts and graph illustrate that TSTC's 2014 cohort default rate is lower than the national rate, the rate for all colleges in Texas, and the rate for all non-4 year colleges in Texas. Furthermore, there is a pronounced downward trend, and TSTC's CDR has declined faster than the other CDRs in the comparison. When compared to individual community colleges in Texas, TSTC's 2014 CDR ranked 7<sup>th</sup> out of 64.

#### ***Cohort Default Rates – 2012 Cohort***

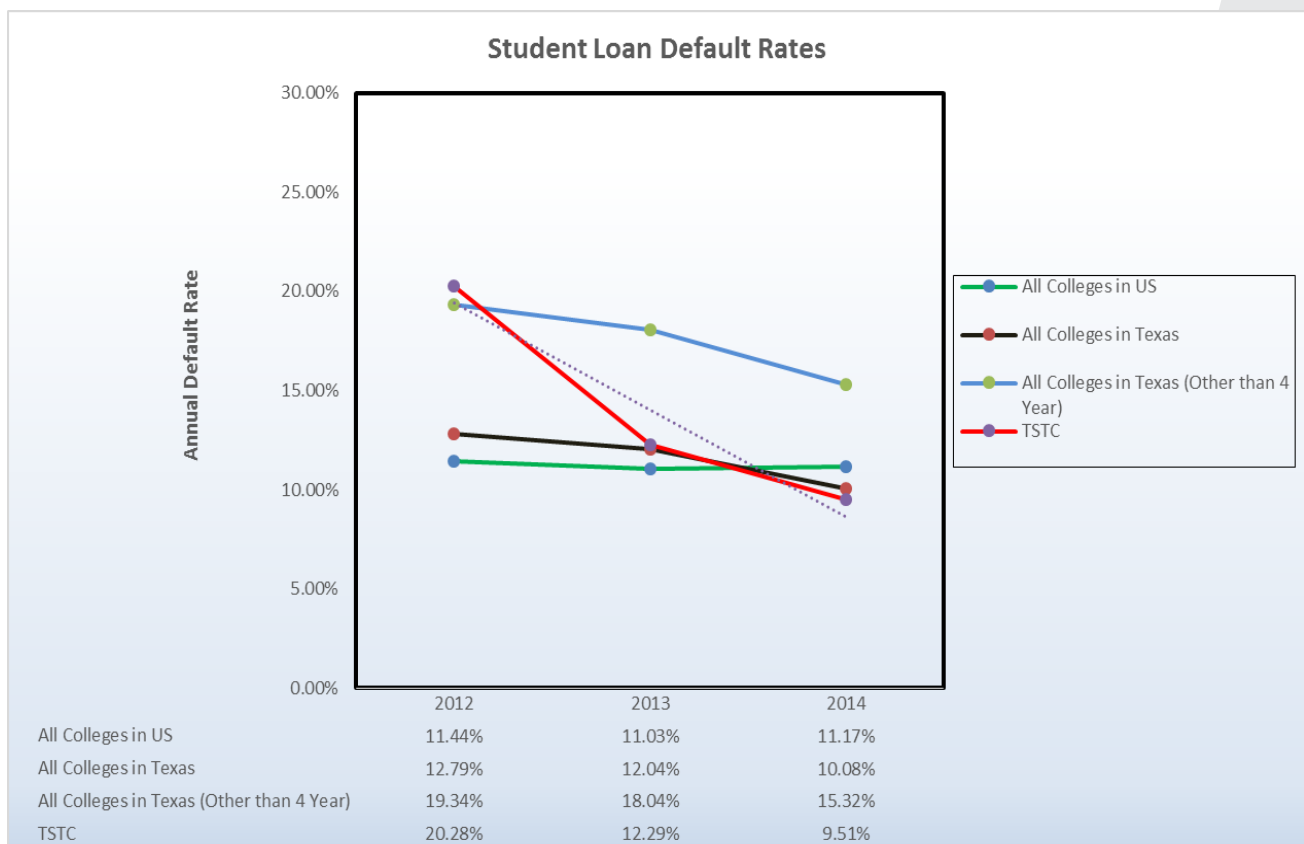
	<b>TSTC</b>	<b>National</b>	<b>All Texas Colleges</b>	<b>All Texas Colleges Other than 4 Year</b>
Total Students in Default	463	575,051	39,940	25,480
Total Students in Repayment	2,283	5,026,579	312,163	131,775
CDR	20.28%	11.44%	12.79%	19.34%

#### ***Cohort Default Rates – 2013 Cohort***

	<b>TSTC</b>	<b>National</b>	<b>All Texas Colleges</b>	<b>All Texas Colleges Other than 4 Year</b>
Total Students in Default	454	568,962	39,530	25,293
Total Students in Repayment	3,694	5,157,310	328,237	140,209
CDR	12.29%	11.03%	12.04%	18.04%

### Cohort Default Rates – 2014 Cohort

	<b>TSTC</b>	<b>National</b>	<b>All Texas Colleges</b>	<b>All Texas Colleges Other than 4 Year</b>
Total Students in Default	308	585,402	32,763	20,680
Total Students in Repayment	3,239	5,241,604	324,997	134,949
CDR	9.51%	11.17%	10.08%	15.32%



Unofficial results for the 2015 cohort indicate a CDR of 7.26%, with the worst case scenario for the 2016 cohort projecting at 9.1%. In all likelihood, TSTC will be able to take advantage of the benefits previously outlined once the official CDRs are published in September 2018 by the ED. Just as importantly, there is no current threat of penalties that would impact the ability to offer Direct Loans and Pell Grants.

The ongoing monitoring efforts of at-risk borrowers and the loan counseling sessions for new borrowers and graduates should continue to keep the CDRs within the tolerable thresholds. I commend the management team for the results, and recognize their continuing efforts to maintain these results.

cc: Michael Reeser, Chancellor/CEO  
Jeff Kilgore, VC/Chief Marketing Officer  
Rob Wolaver, AVC/Enrollment Management  
Christine Stuart-Carruthers, VP/Enrollment Management  
Jackie Adler, Executive Director/Financial Aid  
Audit Committee



September 5, 2017

Ref. No.: PH: 063: 16/17

Jeff Kilgore, Vice Chancellor/Chief Marketing Officer  
Texas State Technical College  
3801 Campus Drive  
Waco, Texas 76705

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*Board Chair*

**Juan E. Rivera**  
*Vice-Chair*

**Rudy Martinez**  
*Secretary*

**Nancy Domingo**  
*Parliamentarian*

Dear Mr. Kilgore:

Enclosed please find the *Final Annual Program Report* of Texas State Technical College's operation of the GED/Career Path Initiative Contract. The review did not disclose any reportable findings. Observations noted do not require a response but should be reviewed to assist in the improvement of the overall service delivery of the program.

If you have any questions regarding this matter, please contact me at (956) 548-6700.

**Mission:**

"Workforce Solutions Cameron is the local workforce partnership organization devoted to promoting and supporting a workforce structure that provides employers and individuals of Cameron County the opportunity to achieve and sustain economic prosperity."

Sincerely,

  
for Pat Hobbs,  
Executive Director





**PY 2016-2017**

**ANNUAL PROGRAM MONITORING (FINAL)**

*of*

**TECHNICAL STATE COLLEGE –  
HARLINGEN (TSTC)**

On-Site Review Dates: August 2-3, 2017  
Final Report Issuance Date: September 5, 2017

## CONTRACT

CONTRACTOR:	Texas State Technical College (TSTC) – Harlingen
CONTRACT No.	2416TCY2-01
CONTRACT PERIOD:	October 1, 2016 – September 31, 2017
CONTRACT TYPE:	Performance
FUNDED PROJECT/PROGRAM:	\$136,562.00

## SUMMARY / PURPOSE

Through the WFS Cameron Career Path Training Model, Texas State Technical College (TSTC) was contracted to provide General Equivalency Diploma (GED) program through an open entry/open exit format to 75 WIOA out-of-school youth, adults and dislocated workers who were determined basic skills deficient. The program design requires TSTC to provide the GED services at three levels of instruction as determined by TABE scores, beginning, intermediate and high. The Contract further requires TSTC to coordinate the provision of services with the Workforce Center contractor – Southwest Key.

According to the contract, the TSTC is responsible for the attainment of one performance measures:

- ❖ **GED Credential Attainment** – 80% of program participants exited from the GED Training program as recorded in TWIST shall attain a GED credential.

The purpose of the monitoring visit was to evaluate if TSTC is operating the program in accordance with contractual requirements.

## SCOPE

The scope of the review was from July 1, 2016 to June 30, 2017. Files were randomly selected, and the areas reviewed included but were not limited to following areas:

- ❖ Adherence to Program Enrollment Requirements
- ❖ GED Attainment
- ❖ Data Integrity
- ❖ Performance

*Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.*

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<b>FINDINGS</b>
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No reportable findings.

## OBSERVATIONS

1. TSTC is required to enroll of 75 WIOA customers by the end of the contract. Based on documentation provided during the visit, it appears that the enrollment goal will be met by the end of the contract period.
2. Of the 33 files reviewed, five (5) customers were not placed in the correct level of study. For instance, in one file, the customer was placed in High level with a Language score of 6.3, Reading at 11.1, Math at 12.4, and total battery of 10.5; average of scores is 9.93. In a second example, the customer was placed in Intermediate with a total battery of 10.7. According to the contract the Beginning Level of Study is defined as TABE scores from 6.0 to 7. 9; Intermediate – 8.0 to 9.9 and High 10.0 to 12+. It was explained to the Monitors that placements were made in error. It was noted that placement assignments were not made based on the same methodology. Some placements were based on the total battery score while some placements were based on the averaging of the scores.
3. There was documentation in the file of case management coordination between TSTC and the Workforce Center Contractor – Southwest Key.
4. Five customers were interviewed regarding their experience with the TSTC. The interviews netted the following results.
  - The teacher and counselor are very encouraging
  - One youth reported what he liked best are the different teaching techniques used in the program. Another youth reported that she liked that the program was self-pace. A third youth reported what she liked best about the program is the opportunity for her complete her education. The availability of the instructor to provide assistance was identified by a fourth customer of what she like best about the program.
  - Customers expressed concern about the program ending. Concern was also expressed that staff had not spoken to the class to confirm the program was ending.
  - Two customers reported that they were receiving transportation assistance.
  - Customer reported that it did not take long to enroll in the program.



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January 10, 2018

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

Dear Mr. Reeser:

Texas State Technical College - Waco implemented the recommendation in our prior report *A Compliance Audit of TEXAS Grant at Texas State Technical College - Waco*, issued August 31, 2016.

Management has implemented the audit recommendation by:

- Complying with the Family Educational Rights and Privacy Act (FERPA) and aligning with best practices of the Texas Administrative Code, Title 1, Chapter 202, Rules 202.70 - 202.76, by performing a biennial review of the information security program to protect student data from unauthorized use.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings, if any, based on the audit objectives.

If you have any questions or comments, please let me know.

Sincerely,

Mark A. Poehl, CPA, CIA, CISA, CFE  
Director, Internal Audit and Compliance

**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Compliance Specialist

cc:

**THECB**

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Ms. Jackie Adler, Executive Director of Financial Aid

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**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
	<b>No new issues were reported this quarter.</b>			

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.