TEXAS STATE TECHNICAL COLLEGE

Audit Committee Meeting
of the Board of Regents

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

Thursday, May 13, 2021

10:00a.m.

AGENDA

I.   MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR TONY ABAD

II.   COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS

IV.   REPORTS:

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

V. **CHANCELLOR COMMENTS**

VI. **BOARD COMMENTS**

VII. **ADJOURN**

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:	May 13, 2021	**Proposed Minute Order #:**	09-21(c)

Proposed By: Jason D. Mallory, Director of Audits

Subject: **Approve Revised 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 (Plan) and any revisions. The Director of Audits recommends revising the Plan originally approved by Minute Order #29-20(c) on August 20, 2020, by removing an audit of the Concur system and an audit of the security of wireless networks. We recommend replacing those audits with tests of numerous pre-production Workday business processes. This will benefit the ongoing project related to implementation of the new ERP system

Justification: We always attempt to maximize the benefit each audit by selecting relevant topics. Because we select audits several months in advance, we assume that College processes and risks will remain static. That is rarely the case.

The Concur system will be replaced in January 2022 with functionality supplied by Workday. Considering the pending replacement of the system, any benefits provided by an audit would be temporary. Similarly, many of the risks we intended to test in the audit of wireless networks were already tested in internal penetration tests, and will be confirmed in an ad hoc forensic scan currently being performed by a 3rd party vendor. An audit would largely duplicate potential deficiencies identified by the scan.

As a result, we recommend replacing these audits with a project that will yield greater benefits to the College. The College has been transitioning away from Colleague to Workday since FY 2020. By January 2022, Workday business processes for Finance and Human Resources are planned to "go-live". We propose performing end-user testing on the various businesses processes that will be put into production on that date. This testing will help to proactively identify functionality issues so that they can be resolved. An added benefit is the auditors will be educated through hands-on experience, so for future audits should be more relevant and comprehensive.

Additional Information: None.

Fiscal Implications: None.

Attestation: The 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 revised Fiscal Year 2021 Audit Plan that includes removing audits of the Concur system and wireless network security. These audits will be replaced with end-user testing by auditors of various Workday business process prior to them being placed into production."
Recommended By:	[ORIGINAL SIGNED BY]
	Jason D. Mallory, Director of Audits

INTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
Social Media Audit	Marketing	Complete	21-004A	11/20/20	-	Risk Based
Audit of Disbursements from Student Club Accounts	Student Life	Complete	21-007A	12/11/20	-	Risk Based
Internal Network Penetration Test	Marshall Campus	Complete	20-010A	12/14/20	6/7/18	Risk Based
Servion Contract Audit	Airport	Complete	21-005A	3/24/21	-	Risk Based
Internal Network Penetration Test	West Texas Campuses	Complete	21-017A	3/26/21	8/16/18	Risk Based
Informer Software Audit - TAC 202	OIT	Complete	21-016A	4/6/21	-	Risk Based
Safety & Security Audit	All Campuses	Complete	21-002A	4/12/21	6/11/18	Required every 3 years
TAC 202 Follow-up Audit	OIT	In Progress	21-009A	4/15/2021	1/7/21	Required Bi-annually
Internal & External Quality Assessment Review	Internal Audit	In Progress			8/30/18	Required every 3 years
Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit	Office of Sponsored Programs & Financial Aid	In Progress			-	Risk Based
Administrative & Faculty Qualifications Audit	Instructional & HR	In Progress			-	Risk Based
TEC 51.9337 (Contracting) Audit	Procurement				7/2/20	Required
Accounts Receivable/Billing Audit	Finance and others					Risk Based
End User Testing of Workday Business Processes	OIT, Finance, Payroll	Recommend Adding				
Concur Software Audit - TAC 202	OIT	Recommend Removing			-	Risk Based
Wireless Network Security Audit	OIT	Recommend Removing			-	Risk Based

EXTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
TWC: Monitoring review of SDF Contracts # 2418SDF002 & # 2418SDF003	OSP/Harlingen	Complete	21-012A	9/10/20		
Statewide Single Audit - Financial Portion, Statewide Single Audit - Federal Portion, Complaince with Federal Requirements for SFA Cluster, Complaince with Education Stabilization Fund by the State Auditor's Office	State of Texas - Includes TSTC	Complete - Reports available			2/28/21	
Recovery Audit by the State Comptroller's Office	Finance	Complete - no report issued.				
Financial Processes Audit by the State Auditor's Office	Finance	Complete - pending reports				
Desk Review of Perkins Career and Technical Education – Basic Grants to States, CFDA#84.048, Award #20796 by the THECB	OSP/Harlingen	In Progress				

OTHER INTERNAL PROJECTS

Internal Hotline: Received an anonymous complaint on 10/2/20 that equipment purchased using a procurement card has been delivered to an employee's residence versus the College. The reporter was concerned the purchases was fraudulent. Results: The employee was able to produce all items that were purchased. The shipping to his house were side effects of the COVID-19 remote work.	Instructional	Complete	21-011I	11/4/20
SAO Hotline: Received a complaint that scores provided during faculty evaluations were artifically low, with no opportunity to provide employee feedback during the review process. Results: The complaint was forwarded to HR for resolution. HR provided additional training on performing employee evaluations, and reminded supervisors and staff that employees can provide feedback to their evaluations, even though documentation in the current tool is not available.	Instructional	Complete	21-02I	11/16/20
Report by management: We received a tip regarding unusual activities discovered in the bookstore in Sweetwater which may indicate theft. Results: Currently reviewing suspicious refunds, book buybacks, inventory shortages, and cash deposits.	Sweetwater/Bookstore	In Progress		
Report by management: Since February, Payroll has been receiving fraudulently filed unemployment claims from the Texas Workforce Commission. To file those claims, the fraudster has access to sensitive employee data. Results: We are currently attempting to determine whether any of our systems have been breached, and sensitive information stolen.	OIT	In Progress		
Assisted management with identifying location, physical state, and access to, all rooms and closets on every campus where IT network assets are located. The purpose of our involvement was to give them an independent assessment of the access and safety issues that may be present so that they can make informed decisions on what to better control. A formal report was not issued, but an asessment document was presented to them.	OIT/Safety	In Progress - began in FY 2020	20-007P	
Consulting: Serving on Workday implementation. Role is limited to monitoring re-designed business processes for unmitigated risks, and raising security concerns.	OIT/Finance/HR	In Progress - began in FY 2020		
Consulting: Serving on Waco Task Force for demolishing numerous building. Role is limited identifying potential risks and suggesting ways to mitigate those risks.	Facilities/Finance	In Progress - began in FY 2020		

Glossary

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

Texas State Technical College
Internal Audit
Summary of Audit Reports

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Audit of Contracts with Servion (21-005A)	1.	Both contracts associated with the fuel services provided on the airport need to be better monitored.	1. Vendor under-paid $3,700 on one contract in a 14 month period. 2. Lease of Hangar 8-1 has not been governed by an executed contract since 2014. 3. An unapproved monthly discount was put in place for Hangar 8-1. 4. Annual inflation adjustments have never been implemented, per the contracts. 5. Vendor did not appropriate levels of coverage under umbrella insurance policy.	Better monitor invoicung and receivables, negotiate new contract on Hangar 8-1, investigating possibility to retro-actively bill for unbilled inflation increases, require increased insurance coverage.	Kevin Semien	4/30/21
Internal Network Penetration Test - West Texas (21-017A)	1.	We were able to obtain log-on credentials to two systems from 4 employees, identified opportunities for the internal network to better restricted, and found isolated physical security lapses.	1. Three employees provided log-n credentials to our phishing email. 2. One employee provided provided her log-on credentials to our vishing telephone call. 3. We conncected to the internal network in a student lab. 4. We found unsecured keys to buildings.	Each of these 4 individuals have been coached and provided directives to never disclose user names or passwords to anyone. The Provost Team will immediately remind and educate all four campus communities on the importance of never disclosing passwords to anyone, and securing doors, gates, and access panels. In regards to the student computer lab that was accessible to the internal network, this lab will be placed on Active Directory by April 30, 2021.	Weaver, McKee	4/30/21

Report Name & No.		Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Application Audit of Informer (21-016A)	1.	We identified 5 of the 49 required controls that still need to be either implemented or substantially improved. The controls needing improvement related to access, change management, and backup testing.		The 2 access controls and one of the contingency planning controls will be implemented by July. The other contingency planning control and the configuration management control will be implemented by January 31, 2022, due to the steps that will be required to properly implement.	Shelli Scherwitz, Larry McKee	7/31/2021, 01/31/2022
Safety & Security Audit (21-002A)	1.	Even though significant improvement has been made in safety, there are still opportunities to improve standardization between campuses, and increase accountability.	1. Continuing to enhance communication with Executive Manangement and the Board 2.Standardized format and documentation of self-inspections across campuses. 3. Accurately state the frequency of fire drills in the Annual Security and Fire Report. 4. Continue to improve specialized training at every campus. 5. Improve validating security guard credentials. 6. Specific safety observations included in a separate confidential report.	Implement tracking database that has reporting capabilities, finalize a new inspection template, include accurate fire drill information in the next ASFR, engage SORM for more training, and validate credentials of all guards. For the individual observations, each Provost is currently remediating.	Aurelio Torres, Chris Martin, Provosts at each campus	8/31/2021, 10/1/2021, Immediately
TAC 202 Compliance – Quarterly Update (21-009A)	1.	13 more controls were identified as being implemented, with the risk being accepted on 1 control due to it not being applicable in our environment.				

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Monitoring Review of Skills Development Contracts (2418SDF002 & 2418SDF003) performed by the Texas Workforce Commission	1. Esnure adminstrative expenses are supported.	Documentation to support the charging of adminstrative expenses were not maintained.	Returned $3,998 in questioned costs, and developed a method for tracking administrative time.	Hyde	Immediately
	2. Ensure eligibility requirements are followed.	Three training participants were not full-time employees of the company being trained. They were ineligible to receive training.	Returned $1,708 due to ineligible participants. Began requiring partner companies to sign eligibility documentation.	Hyde	Immediately
	3. Ensure all training costs are reported accurately.	The costs for training providers was contracted at a rate lower than the reimbursable amount. The grant was charged at the higher amount.	All training contracts will be routed through OSP for review, who will then propose necessary amendments to TWC.	Hyde	Immediately

Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary			
	12/31/20	**3/31/21**	**Cleared from (Added to) Schedule**
Audits from FY 2017 & Earlier	4	4	0
Audits from FY 2018	1	1	0
Audits from FY 2019	5	4	1
Audits from FY 2020	6	3	3
Audits from FY 2021	2	5	(3)
Net Total	18		1

Highlights:

TAC 202 Audits: 13 more controls were implemented.
Workplace Harassment Audit (19-014A): One CAP cleared, with the last remaining one substantially complete.
Clery Act Audit (20-014A): Last two remaining CAPS were cleared.
Harlingen Bookstore Audit (20-033A): Two more CAPs cleared.
Social Media Audit (21-004A): All 3 CAPs cleared.
Help Desk Audit (20-025A): Both CAPs cleared.
Onsite Support Department (OIT) 20-032A: Both CAPs cleared.
PCI Audit: Follow-up testing is underway.
Airport Operations Audit: 1 CAP cleared.

Report Name & No., Resp. Sr Mgr		Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17-022A), Hoekstra		1. We identified numerous exceptions related to inventory control in the Welding Department.	1.1 Summary : Create a cross-divisional team and review existing policies and procedures related to the inventory process.	**Ongoing:** Determined in follow-up testing performed in November 2018 and June 2019 that procedures were improved going forward. The SAOhas tested controls in the Financial Processes Audit, and found further issues. A new system is under consideration in assisting with tracking fixed assets. Workday will also be key part of the correction.		TBD
TAC §202 Compliance Audits (17-002A) (19-003A), (19-017A), (20-026A), 21-017A), McKee, Scherwitz		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 4/15/21, 8 systems and the IT general controls have been audited. A total of 3 general controls and 52 (total for all systems audited) application controls were not yet implemented. In this quarter, 13 controls were improved to implemented status.		Ongoing

Audit	Finding	Recommendation	Status		Due Date
PCI Compliance Audit (18-009A), Herrera	1. Numerous IT related controls and/or their control elements, as prescribed by PCI DSS, have not been implemented. As such, PCI DSS compliance is not being fully met.	1.1 In an effort to ensure the protection of payment card data for students and employees, The Office of Information Technology has been working with Food Services to resolve a number of important control deficiencies during the audit and will continue to review and implement recommendations moving forward. As we anticipate that the review and implementation review of 100 controls across 6 objectives will take over a year, we will prioritize controls that have the largest impact on the protection of cardholder data. As part of this process, we will also implement the recommendation of an annual assessment of PCI-DSS controls to ensure ongoing adherence to PCI-DSS compliance changes.	**Ongoing:** Both Audit and IT efforts have been focused on improving TAC 202 compliance. There is an overlap of TC 202 controls with PCI. In 2021, we will restart testing of select PCI controls. Follow-up testing began on 4/12/21.		Ongoing
Workplace Harassment Audit (19-014A), Hoekstra,	1. Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendations offered by the EEOC in their 2016 report.	1.1 A single, comprehensive policy will be created that includes all 10 of the EEOC's recommended elements.	**Substantially Complete:** At 4/12/21, the policy was approved by the CFO. Policy is now pending final review and approval from legal.		~~12/30/20,~~ 4/30/21
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:** On 10/6/20, the corrective action was revised. As of 1/7/21 a list of users' access has been reviewed and access needing to be changed to 'inquiry' has been identified. The department is currently working with OIT to send out updated access forms and plans to complete by the end of the term, or sooner. **Pending Review**	Due to changes in procedures in the division, the corrective action was revised to: Executive Registrar will work collaboratively with OIT to periodically evaluate access to ensure compliance based on current job description. Annual review of access will continue to monitor for any changes in job duties that may require access updates.	~~12/30/20,~~ 4/30/21

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

	1.3 Use of Taxiway: L3 was made aware of the need for them to halt using the taxiway and begin to remove their equipment. We will establish a timeline for them to remove the equipment in coordination with L3. Kevin Semien will be responsible for this task and timeline will be complete no later September 30, 2020.	**Pending Review:** Followed up on 10/5/20 with Kevin Semien. Vendor personnel are in the process of disposing of the equipment. We will hold this open until the area is noticeably cleaned. On 4/12/21, the same progress was reported.	~~12/30/2020,~~ 8/31/2021
	1.4 UHI: Kevin Semien worked with UHI Executives on the payment balance. UHI Executives agreed to pay their balance prior to their expiration and termination of their lease. Kevin Semien is responsible for this task and the task should be resolved by July 31, 2020.	**Substantially Complete:** As of October 31, 2020, only one payment was still pending. The 3 other outstanding payments were made. The last remaining payment is being contested. On 4/13/21, that last payment was still being contested.	12/30/20
Harlingen Bookstore Audit (20-033A), Solano	1. Access to the bookstore needs to be better controlled.	1.3 Submit a request to Campus Police to remove the access, and will monitor access at least annually.	**Pending Review**
			10/31/20

	Finding	Response	Status	Date
Audit of Disbursements from Student Club Accounts (21-007A), Stuart-Carruthers, C. Wooten	1. Controls are not consistently applied to ensure disbursements from Club Accounts are authorized and appropriate.	1.1 The College will cease the practice of administering club accounts by Fall of 2021 as clubs transition their funds. Student Life and Student Accounting staff will encourage student clubs to house their student club funds in a bank account off campus that is opened specifically and exclusively for the registered and recognized TSTC club. The new bank accounts will be 100% legally owned and controlled by the clubs themselves (not TSTC), and the club funds will no longer be accounted for in TSTC systems.	Ongoing	8/31/21

	Finding	Response	Status	Date
Audit of Contracts with Servion (21-005A), Semien, Guzman	1. Both contracts associated with the fuel services provided on the airport need to be better monitored.	1.1 Invoicing & Receivables: Blanca Guzman and Elvira Reyna, Budget Analyst will work with Accounting to ensure our invoicing and receivables are done timely and as scheduled for each individual lease. They will also be generating their own monthly reports and tracking activities.	Ongoing	4/30/21
		1.2 We plan to have our legal team send Servion an official letter to enter into negotiations regarding Hangar 8-1. We expect the letter to be sent out no later than 4/01/21.	**Pending Review**	4/1/21
		1.3 We are currently investigation the charge back of the annual rent adjustment for the current agreement effective April 7, 2007.	**Pending Review**	4/7/21
		1.4 We will notify Servion of the insurance requirement by 3/31/21, with further action taken based upon his response.	**Pending Review**	3/31/21

Internal Network Penetration Test - West Texas (21-017A), Weaver, McKee	1. We were able to obtain log-on credentials to two systems from 4 employees, identified opportunities for the internal network to better restricted, and found isolated physical security lapses.	1.1 Each of the 4 individuals have been coached and provided directives to never disclose user names or passwords to anyone.	**Pending Review**	3/31/21
		1.2 The Provost Team will immediately remind and educate all four campus communities on the importance of never disclosing passwords to anyone, address the need to ensure that everyone lock doors, gates, access panels across all campuses to protect from unauthorized. Any further instances will be escalated as appropriate, which may include loss of IT access and termination of employment.	**Pending Review**	3/31/21
		1.3 In regards to the student computer lab that was accessible to the internal network, this lab will be placed on Active Directory by April 30, 2021. The matter was a simple oversight.	**Ongoing**	4/30/21

Safety & Security Audit (21-002A), Provosts, Martin, Torres	1. Even though significant improvement has been made in safety, there are still opportunities to improve standardization between campuses, and increase accountability.	1.1 School Dude® will be used to track deficiencies. This process will be checked annually by each TSTC SHEA Officer for compliance (process adherence) and reports run to identify any outstanding items.	Ongoing	8/31/21
		1.2 A new inspection template has been designed. It will be implemented by Summer of 2021. Furthermore, all inspections will be documented in School Dude® and also hard copy stored in the TSTC Safety Google® Shared Drive.	Ongoing	8/31/21
		1.3 The legally required frequency of fire drills has been set. The correct fequency will be properly stated in the next ASFR.	Ongoing	10/1/21
		1.4 TSTC Safety will continue to engage in our external safety partners (SORM) and partner with our HR Learning and Development Team to push out periodic safety training to all of TSTC, and as resources permit. All safety	Ongoing	TBD
		1.5 Include the requirement of credential validation and training requirements in all future contracts with outside security companies. All credentials and training requirements for each contracted security force will be monitored by each respective assigned TSTC Police Chief on an annual basis	Pending Review	4/12/21

Internal Audit Department

Audit Report

Audit of Contracts with Servion (21-005A)
TEXAS STATE TECHNICAL COLLEGE
TSTC Airport (Waco Campus)

March 24, 2021

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 contracts associated with aircraft refueling services on the Airport on the Waco campus. We audited transactions that occurred between September 2019 through October 2020 to offer an opinion on contract compliance. This audit focused on significant provisions within the contractual relationships with Servion, to include real estate leases and utilization, fuel sales, decreased fuel cost to the College, and the presence of required equipment and insurance coverages.

We verified payments owed to the College on ground and building/hangar leases were properly invoiced and paid, as well as those related to fuel sales. We verified the vendor only utilized space as allowed in the contracts, and that they provided all necessary equipment to operate in an effective and safe manner. We tested a sample of fuel sold to the College's Aircraft Pilot Training program to ensure the price per gallon did not exceed the reduced cost specified in the contract. And finally, we reviewed insurance coverages to ensure they met contractual minimums. The following table summarizes our results:

Fuel fees	The contract requires the vendor to pay a fuel flowage fee of $.10 per gallon, and a defueling/refueling fee of at least $.01 per gallon. For the time period audited, we determined that 687 thousand gallons of fuel flowed, earning the College $69 thousand. We also determined that 270 thousand gallons were subject to the defuel/refuel fee, earning the College $5,500. Both amounts complied with the contract. We found no evidence, however, that anyone within the College validates the amounts received to ensure they comply with the contractual terms.
Ground and Building/Hangar Leases	The monthly ground lease fee is based on the fuel flowage rate multiplied by $.02 per gallon up to $.045 per gallon. The minimum monthly fee is $1,000. This amount allows use of 82,350 square feet on the airport, to include Building 6-8. There is a separate contract to lease hangar 8-1 for a monthly rental fee of $2,250. For both the ground and building leases, the amounts are subject to an annual inflation adjustment.

	For the ground lease, we identified 7 months in the period we reviewed in which the minimum $1,000 fee was not charged. This amounted to an underbilling of $3,800. The ground lease fee has also never been adjusted for inflation.
	For the period we audited, the College collected $14 thousand in ground lease fees. We calculated the amount should have been at least $18 thousand when the errors associated with the minimum fee are considered. This does not consider the inflation adjustment, which would have further increased the revenue.
	For the lease of hangar 8-1, we determined that the $2,250 monthly rent was generally collected. However, the former airport manager agreed in an email to reduce the rent by $250/month for the months of November 2019 through March 2020 to accommodate storing an unrelated aircraft. The discount was actually taken through September 2020. There is no evidence to indicate the airport manager had the authority to unilaterally enter into this discount, especially in the informal manner it was entered. We also determined the lease expired in May 2014, but no formal written renewal was ever processed. And, we did not find any evidence that the inflation adjustments were ever applied to this rate either.
	For the period we audited, the College collected $29 thousand in ground lease fees. We calculated this amount to be short by at least $4 thousand when the errors associated with reduced rents and inflation adjustments are considered.

Required Equipment and Space Usage	The contract requires the vendor to have certain equipment on hand, to include fuel trucks, fire suppression equipment, fuel tanks with appropriate spill containment systems, and auxiliary power units. All equipment is being provided as required by the lease agreement. We did not find any evidence that the vendor inappropriately uses real estate beyond what it is contractually allowed.
Fuel Sales to College	The vendor must sell fuel to the Aircraft Pilot Training program at a rate of $.50 above its cost. Our test work found this to be the case.
Insurance	The contract requires the vendor to carry comprehensive general liability insurance, fire and extended coverage insurance, and an umbrella policy valued at $30 million. The general liability and fire insurance coverages appeared appropriate, but the umbrella policy only covered losses up to $5 million, far less than the required $30 million.

Introduction

Servion operates as a Fixed Based Operator (FBO) at the TSTC airport. An FBO is an organization that is granted the right to operate at an airport and provide aeronautical-related services. Servion provides fueling services to the College, airport tenets, and other users of the airport. They began servicing the fuel needs of the TSTC airport in June 1985. The current contract to provide fuel services began on April 1, 2007, and expires in March 31, 2027. There was one addendum to that contract dates January 1, 2009. There was also a separate a contract to lease hangar 8-1 dated May 1, 2009, which expired on April 30, 2014. There was an option to renew this lease for one 5-year term. There is no evidence that a formal renewal was ever executed, even though Servion continues to utilize the hangar and pay the rent agreed upon in the original contract. All contracts with Servion have yielded revenue of $138,657, $103,510, and $32,464 in fiscal years 2019, 2020 and 2021, respectively.

The airport is a general aviation airport that has several permanent tenets, to include L3 and Battlespace. Students in the Aircraft Pilot Training program utilize the airport on a

daily basis. Annually, there are thousands of take-offs and landings at the airport by tenants, students, and other pilots.

The airport is managed by the EVP of Facilities and Maintenance, with one part-employee who performs the daily upkeep and maintenance. Both the airport, and the contracts reviewed in this audit, fall under the responsibility of the Chief of Student Services.

Objectives

The primary objective of the audit was to verify compliance to key provisions of the contracts the College has with Servion. Our focus was on fuel sales, equipment and insurance requirements, the real estate footprint, and remittances of required fees to the College. The two contracts we reviewed were dated April 1, 2007, with an addendum dated January 1, 2009, and the lease contract dated May 1, 2009 to rent ½ of Hangar 8-1.

Scope & Methodology

The scope of our audit included key provisions of the two contracts executed with Servion. Transactions between September 2019 and October 2020 related to those contracts were reviewed in this audit, to include fees associated to fuel sales, purchases of fuel by the College, hangar lease revenue, use of real estate, and insurance coverage. To accomplish our objectives, we scrutinized both contracts, reconciled accounting entries and vendor supplied records to contractual requirements, observed equipment on hand, and verified the real estate footprint used by the vendor. We also obtained and reviewed insurance policies carried by the vendor.

General Observations

Servion has provided crucial fuel services the airport since 1985. Their services have a direct impact on the ability to provide pilot training at a reasonable cost to the student. In fiscal year 2020, Servion sold 604,299 gallons of fuel, with 43,288 gallons of that being sold to the Aircraft Pilot Training program. Through January of fiscal year 2021, they have sold 149,818 gallons of fuel, with 20,094 being sold to the training program.

Servion maintains adequate records to support the revenue amounts we received complied with contractual requirements. They provide the appropriate equipment to effectively meet the airport's fueling needs, while doing it in a safe, environmentally friendly manner. During the audit, their employees were readily available to assist with on-site inspections and to answer our inquiries.
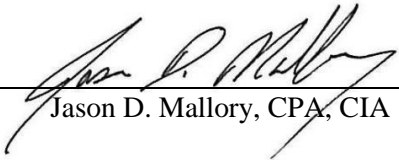
Summary of Finding

Both contracts associated with the fuel services provided on the airport need to be better monitored.

Opinion

Based on the audit work performed, the fueling related provisions of the fuel services contract with Servion are being complied with, as are the use of the real estate allotted to them. They are also providing all required equipment to perform their services in a safe, effective, and environmentally friendly manner. However, we did identify a need to better monitor certain contractual provisions, such as lease payments on facilities they use, and the adequacy of required insurance policies. We also determined that Hangar 8-1 has been utilized by the vendor since 2014 without a formal lease agreement in place. Nevertheless, the vendor has continued to paid rent for that facility generally in accordance to the original lease that expired in 2014.

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   March 24, 2021
                                                                      Date

Finding #1: Both contacts associated with the fuel services provided on the airport need to be better monitored.

Criterion: We reviewed the contract with Servion dated April 1, 2007, which sets forth the provisions for them to provide fueling services on the airport. That contract generates revenue for the airport in the form of fees related to fuel services and ground lease fees. We also reviewed a separate lease agreement originally dated May 1, 2009, in which the College provides ½ of Hangar 8-1 for a monthly fee of $2,250.

We tested controls relied upon by the College to ensure all revenue generated by both contracts are received in full. We found the following notable deficiencies which led us to conclude that compliance monitoring needs to improved:

- The contract dated April 1, 2007, includes a monthly payment on the facilities used by the vendor to be calculated based upon a formula of gallons of fuel sold. There is a minimum required a payment of $1,000. We noted seven instances within the 14 months we tested where the ground rental rate paid was less than $1,000. The underpayments were not identified until we performed the audit. The total underpaid amount we identified in that 14 month period was $3,752.16.
- The contract to lease ½ of Hangar 8-1 expired on April 30, 2014. There was a provision within that contract that allowed one 5 year extension. There is no formal documentation of the extension being granted, even though the vendor continues to pay to this day. Additionally, even the 5 year extension allowed by the original contract would have expired on April 30, 2019. The vendor is currently using a hangar without the arrangement being governed by a written contract.
- For the same lease associated with Hangar 8-1, the former airport manager unilaterally allowed a $250 discount from the monthly rent for the period of November 2019 through March 2020. The discount was reportedly for the vendor allowing the College to store an aircraft in part of the hangar. This discount was actually taken through September 2020 because, once the discount was granted, no one monitored the amount being received. We take exception with the discount because it is informal, and we have no assurance the former manager had the authority to unilaterally grant it.
- Both contracts required an annual inflation adjustment to be made to the rental rates of the real estate being used by the vendor. This provision has never been implemented, resulting in less revenue than should have been collected. Again, no one seems to have been monitoring or enforcing these provisions.
- The vendor is required to have an umbrella insurance policy with a $30 million limit. The policy they have in place only extends $5 million in coverage.

Consequences: Lost revenue, and increased liability associated with contract non-compliance.

Possible Solutions: Improve continuous monitoring of the Servion contracts, especially in regards to the revenue received and the insurance requirements. Also, we recommend a contract be reduced to writing for the rental of Hangar 8-1, with revisions going forward being properly approved. We recommend any new rental rates for the real estate be adjusted to at least account for inflation.

Management Response

Airport Operations Management agrees with the observations made in the audit. We will be responding to the various items as follows:

- Invoicing & Receivables: issues will be addressed in the same manner regardless of tenant. Blanca Guzman, Chief of Staff for the Vice Chancellor, and Elvira Reyna, Budget Analyst, will work with Accounting to ensure our invoicing and receivables are done timely and as scheduled for each individual lease. Blanca and Elvira will also be generating their own monthly reports and tracking activities. Any discrepancies or improvements will be addressed accordingly with Airport Operations and/or the Accounting Department. Blanca Guzman will be responsible for these activities and this situation will be resolved by the next billing cycle 4/30/21.
- We plan to have our legal team send Servion an official letter to enter into negotiations. We expect the letter to be sent out on later than 4/01/21.
- Regarding the apparent unilateral decrease to the monthly rent, we agree with Internal Audit's observations as this being inappropriate. No further remedial action will be taken on that matter, but any adjustments contract terms going forward will follow the prescribed contracting process.
- We are currently investigation the charge back of the annual rent adjustment for the current agreement effective April 7, 2007.
- We will notify Servion of the insurance requirement by 3/31/21, with further action taken based upon his response.

Kevin Semien, Executive Vice President of Facilities and maintenance will be responsible for implementation of these corrective actions plans.

Internal Audit Department

Audit Report

Internal Network Penetration Test (21-017A)
TEXAS STATE TECHNICAL COLLEGE
Campuses in West Texas

March 26, 2021

This audit was conducted in accordance with the
International Standards for the Professional Practice of Internal Auditing
Of the Institute of Internal Auditors.

Executive Summary

Between January 15, 2021 and January 29, 2021, we performed vulnerability scans and penetration testing of the College's internal network on the campuses in West Texas.

The primary objective of this project was to ensure sensitive information stored and processed by primary systems, and systems directly supporting the confidentiality, integrity, and accessibility of those systems, have controls in place to detect and prevent attacks from unauthorized individuals on the campuses. Physical and logical security controls, to include the actions and habits of personnel, were targeted in this project. Unlike the similar test we conducted in fiscal year 2018, we selectively sampled employees with probable access to sensitive information using our access to internal information. In that previous test, we relied solely upon information we collected from the internet.

We tested end user training effectiveness (known as social engineering) by calling and sending emails to select individuals. We requested sensitive information that would never legitimately be sought. We attempted to access areas that should be restricted so as to identify sensitive information or assets that could be pilfered. We attempted to gain access to privileged systems and information by scanning the network to identify control flaws, tested wireless access points, and searched for available ports connected to the internal network that we could plug in to. Finally, we attempted to access computers available to the public to determine whether we could potentially access sensitive information. Both manual and automated testing methods were used to detect and/or exploit potential vulnerabilities. Industry standards noted in the Scope & Methodology section of this report served as our basis.

Our results indicated that the campuses have significantly improved since our last test. Employees on each campus we visited acknowledged our presence by asking what our purpose was, or if we required any assistance. Our email and telephone phishing attempts on 47 employees were largely unsuccessful, and we were unable to compromise employees who previously provided log-on credentials during the test in fiscal year 2018. Significantly more reports were made to the Help Desk of our attacks than were made last time, indicating a higher alertness. Wireless connections allowing us access to the internal network found previously were closed, and we did not find any buildings left unlocked after business hours.

We were still able to obtain user IDs and passwords to the Portal on 3 individuals through our phishing email, and 1 individual provided her Colleague credentials in a telephone call. We also identified a computer lab in which we could connect to several network printers and the internal network. Finally, there were isolated opportunities we identified where physical access could be improved. These are all detailed in the Findings section of this report.

Introduction

The Office of Information Technology (OIT) Division, overseen by an Executive Director, assists the College with its operational needs by maintaining secure IT networks, providing end-user

support and training, assisting with IT purchases, and maintaining critical databases and offering critical application support.

Internal Audit worked closely with members of the IT Support Operations Department and the Department of Infrastructure Operations. Other than select managers, employees in IT were only notified when accounts were compromised or immediate remediation was required. To ensure the integrity of the results, limited people on the campuses were also notified of our tests prior to us performing them.

Due to COVID-19 restrictions, there were fewer employees/students on the campuses. Fewer people decreased the likelihood risks related to behavioral lapses could occur. Many of the rooms and areas on campuses we visited were restricted or closed. Public computing areas, such as open computer labs and libraries, were closed.

Objectives

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

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

Scope & Methodology

The scope of the penetration test included the physical and logical securities of core network equipment, access network equipment, and networking closets located on the Sweetwater and Abilene Campuses. It also included employee behavior, especially their awareness and vigilance against potential related attacks that compromise IT systems and sensitive data. The following industry standards served as our methodology:
- IS Benchmarks - Baseline Configurations for Secure Operating System and Application Deployment
- NIST Configuration Baselines - Baseline Configurations for Secure Operating System and Application Deployment
- NIST 800-53 - Security and Privacy Controls for Federal Information Systems and Organizations
- NIST 800-115 - Technical Guide to Information Security Testing and Assessment

To accomplish our observations, we sent emails and made telephone calls to 47 employees to try to trick them into disclosing their user IDs and passwords to the Portal and Colleague. We visited

the campuses in Sweetwater and Abilene, and attempted to access areas that should be locked, scanned networks, tested ports in buildings, and ascertained employee awareness of our presence. The campuses in Breckenridge and Brownwood were only included in the phishing emails and telephone calls. We did not go to either of those campus because we felt our presence would have been quickly detected given their relatively small employee and student populations.

General Observations

Several areas on the campuses were restricted due to operating under COVID-19 restrictions. This left fewer opportunities for us to access areas normally open. Doors for offices and conference rooms were locked. Staff noticed our presence, and prevented us from entering certain areas. We were asked to provide a student ID several times. In fact, on the campus in Sweetwater, campus police approached us soon after arriving on campus.

Wireless networks were segregated between privileged and guest accounts, and we noticed previously open wireless connections were inaccessible. Services available on both the guest and internal wireless networks were appropriate. Wireless access points did not emit signals outside of the physical perimeters of the originating buildings. Access to closets containing networking equipment were locked, as were faculty offices, and buildings after business hours. Public computers in common areas were restricted. And finally, there was an increased awareness of individual responsibilities and the need to remain vigilant in protecting resources. More reports were made to the Help Desk reporting concerns of our suspicious e-mails/telephone calls.

Summary of Findings

We were able to obtain log-on credentials to two systems from 4 employees, identified opportunities for the internal network to better restricted, and found isolated physical security lapses.

Opinion

Based on the audit work performed, assets and sensitive information are generally well protected on the campuses in West Texas. The limited deficiencies we identified were easily remediated. 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	March 26, 2021
	Date

Finding #1: We were able to obtain log-on credentials to two systems from 4 employees, identified opportunities for the internal network to better restricted, and found isolated physical security lapses.

Criterion: We made telephone calls and sent emails to a sample of employees on every campus in an attempt to obtain their logon credentials to the Portal and Colleague. We made unannounced visits to two campuses to determine what areas and information we could access that should be restricted. And, we scanned the networks at both campuses to identify opportunities hackers could exploit.

Our tests yielded the following results that need to be addressed:

- Two employees on the campus in Sweetwater provided their log-on credentials to the Portal by submitting information to a phishing email we sent. One employee on the Abilene campus did the same.
- One employee on the Abilene campus submitted her log-on credentials to Colleague during a telephone call we made in which we posed as a Help Desk employee.
- In one student computer lab on the Abilene campus, we were able to connect to network printers and the internal network. There was no need for these computers to have this capability.
- We found an unlocked strong box containing keys to several buildings on the campus in Sweetwater. We also found an unlocked electrical panel behind unlocked gates at the ITC building in Abilene.

Consequences: Increased risks of inappropriate exposure to sensitive data, nuisance disruptions, and inappropriate access to facilities.

Possible Solutions: We recommend the specific employees who provided their log-on credentials be counseled, and each campus community be informed of our test and results. We further recommend the network and physical gaps be closed.

Management Response

The Office of the Provost (Abilene, Brownwood, Breckenridge and Sweetwater) agrees with the observations and recommendations made in the audit regarding the need to re-educate people on the importance of protecting information and resources. The 3 instances in which employees disclosed their user log-on credentials via an email phishing process and the 1 instance in which an employee provided her Colleague username and password to someone who presented themselves as a Helpdesk employee have been determined to be the result of lapses in judgement. Each of these 4 individuals have been coached and provided directives to never disclose user names or passwords to anyone. The majority of the employees who were tested

evidently passed, which suggests training efforts are often successful. The Provost Team will immediately remind and educate all four campus communities on the importance of never disclosing passwords to anyone. Our communication will also address the need to ensure that everyone lock doors, gates, access panels across all campuses to protect from unauthorized access. This includes offices when they are vacant for an extended period of time, as well as computers when employees step away from them. Any further instances will be escalated as appropriate, which may include loss of IT access and termination of employment. Andy Weaver, West Texas Provost, will be responsible for implementing these corrective actions with the assistance of Justin Price, Associate Provost.

The Office of Information Technology agrees with the observations and recommendations made in the audit regarding the need segregate computers in a student lab from internal network printers and the internal network used by employees. In regards to the student computer lab that was accessible to the internal network, this lab will be placed on Active Directory by April 30, 2021. The matter was a simple oversight. Larry McKee, Executive Director/IT Compliance, will be responsible for ensuring the corrective actions have been implemented.

Internal Audit Department

Audit Report

Application Audit of Informer (21-016A)
TEXAS STATE TECHNICAL COLLEGE

April 6, 2021

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 Informer application as of December 31, 2020. The Informer application (Informer) is a web-based data discovery and analytics solution created by Entrensik which enables users to access, blend, cleanse, and analyze Colleague data. The audit focused on application controls required in Texas Administrative Code 202 (TAC 202). Forty-nine controls in 13 TAC domains were tested. We verified system access, periodic maintenance, training, audit logs, and baseline configurations. We also tested controls related to access, security awareness and training, audit and accountability safeguards, configuration management, and contingency planning. Finally, we tested media protection, risk assessment and purchasing processes, as well as system integrity.

The majority of the controls required by TAC 202 have been implemented. We only identified 5 controls that still need to either be implemented, or improved, for this system. We feel these issues warranted comment in this report to ensure future follow-up testing and correction. The following table summarizes the areas reviewed, and results:

Control Family	Implemented	Implemented with Recommendations	Not Implemented	Required
Access Controls	6	0	2	8
Awareness and Training Controls	2	1	0	3
Audit and Accountability Controls	6	3	0	9
Configuration Management	3	0	1	4
Contingency Planning Controls	2	1	2	5
Identification and Authentication Controls	4	1	0	5
Maintenance Controls	2	0	0	2
Media Protection Controls	1	0	0	1
Personnel Security Controls	3	1	0	4
Risk Assessment Controls	0	1	0	1
System and Services Acquisition Controls	1	1	0	2

System and Communications Protection Controls	3	0	0	3
System and Information Integrity Controls	2	0	0	2
Total	**35**	**9**	**5**	**49**

Introduction

The Informer Application was purchased in July 2014 with an initial cost of $58,255, which included training costs. The latest annual license fee is $11,964. The total amount paid to Entrinsik to date is $128,299.

Informer simplifies the process of reporting and analyzing data extracted from the Colleague database. It uses drag and drop technology, and can import data from other software as well, such as Excel. Users are able to perform detailed data analysis, which informs data-driven decisions.

Currently, there were 303 end- users, and 2 application administrators within the Office of Information Technology. The application is used across divisions at the College.

Objectives

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

Scope & Methodology

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

General Observations

Connections to Informer are only available on campus through the internal network, or through a virtual private network when not on campus. All users with access to Informer are required to complete training related to sensitive personal information because large amounts of this type of data can be easily aggregated using the software. Data downloads between Colleague and Informer is encrypted with a 128 bit encryption standard. The operating system supports process isolation. Unique user IDs are established for all users, a password standard is enforced, and a log is available to detail what reports and information are accessed by authorized users.

Summary of Findings

We identified 5 of the 49 required controls that still need to be either implemented or substantially improved. The controls needing improvement related to access, change management, and backup testing.

Opinion

Based on the audit work performed, only 5 required controls still either need to be implemented or improved for the Informer application. Since the Informer application integrates with Colleague where sensitive student and employee information is housed, we recommend controls associated with access and security be given first priority. The controls are not detailed in this report to limit risk associated with publishing specific areas needing attention, but details are available upon request.

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

Submitted by:

Jason D. Mallory, CPA, CIA

April 6, 2021
Date

Finding #1: We identified 5 of the 49 required controls that still need to be either implemented or substantially improved. The controls needing improvement related to access, change management, and backup testing.

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

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

Control Family	Not Implemented
Access Controls	2
Awareness and Training Controls	0
Audit and Accountability Controls	0
Configuration Management	1
Contingency Planning Controls	2
Identification and Authentication Controls	0
Maintenance Controls	0
Personnel Security Controls	0
Risk Assessment Controls	0
System and Services Acquisition Controls	0
System and Communications Protection Controls	0
System and Information Integrity Controls	0
Total	**5**

Consequences: Being out of compliance with TAC 202 controls increases the likelihood of data leaks, data exfiltration, data deletion, account breaches, malware, and malicious insider attacks.

Possible Solutions: We recommend the 5 missing controls be implemented.

Management Response

Management of the IT Compliance department agrees with the observations made in the audit. Deficiencies in the Access, Configuration and Contingency areas were the result of not having enough monitored access, configuration, and contingency planning controls in place. By July 31st, 2021, The Office of Information Technology will remediate the 2 access controls and one of the contingency planning controls. The other contingency planning control and the

configuration management control will be implemented by January 31, 2022, due to the steps that will be required to properly implement. As with the other systems previously audited, our progress will be reviewed quarterly by Internal Audit. Larry McKee, Executive Director of IT Compliance, will be responsible for the implementation of this corrective action plan.

Internal Audit Department

Audit Report

Safety & Security Audit (21-002A)
TEXAS STATE TECHNICAL COLLEGE
Statewide

April 12, 2021

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 safety and security processes at TSTC (College) as of March 31, 2021. Texas Education Code §51.217 requires an audit at least every three years of the safety and security of the institution's facilities. We last performed this audit in fiscal year 2018.

Our audit specifically focused on ensuring institutional processes are in place that ensure the safety and security of students, employees and others on a continual basis. We performed several tests, to include a thorough in-person inspection of facilities and activities at every campus. Where applicable, student housing was included in our scope. We utilized a self-inspection checklist developed within the Governance, Risk, and Compliance Department (GRC) of the College during that test. The following list represents the specific tests we performed for each campus:

- We performed in-person inspections of facilities and activities at every campus. Designated safety personnel, campus leadership and facilities personnel accompanied us on each inspection.
- We reviewed past safety issues cited by outside inspectors, especially those from the State Office of Risk Management (SORM) and the State Fire Marshal's Office (SFMO) to verify the effectiveness of the follow-up process in correcting the issues in a timely manner.
- We reviewed accidents that occurred on each campus during fiscal year 2020 to verify a uniform process is in place for reporting and handling accidents, and that remedial action is taken to limit recurrences, if applicable.
- We reviewed communication to College Leadership of unresolved or systemic safety issues to ensure the risks of those unresolved matters are known and accepted, if applicable.
- Safety issues cited in recent periodic self-inspections were also verified to ensure timely corrections were made. Written documentation of these inspections was also reviewed for consistency between campuses.
- We reviewed fire drills in academic and administrative buildings, as well as in housing, with frequency and documentation being key perspectives.
- The implementation and effectiveness of an emergency alert system statewide was tested.
- The implementation of uniform safety training was reviewed to ensure employees are aware of their responsibilities.
- The emergency and elevator call boxes, where applicable, were tested for proper operation.
- We reviewed food service operations provided by the College to ensure their operations were sanitary.
- Police and/or security presence, to include current and required training, was verified.
- COVID-19 protocols were observed.

The following table summarizes our results:

In-person Inspections - Overall	Overall, each campus is fostering a safe environment for students, employees and visitors. We identified necessary improvements at every campus, with most of those representing low cost, easily corrected issues. Common examples included removing items stored in front of an electrical panel, winding extension cords and air hoses, replacing damaged or missing ceiling tiles, tightening storage chains on compressed gas cylinders, and inspecting fire extinguishers, eye wash stations and artificial external defibrillators. We did identify some issues that were pervasive, posed serious risks of injury to people, and/or were significant environmental concerns. Some of the observations are cost prohibitive to immediately correct. These significant issues are detailed in a supplemental confidential report. All observations, irrespective of their significance, were communicated to designated safety personnel, campus leadership, and facilities personnel immediately following each inspection.
Past SORM and SFMO Citations	Overall, we found that issues identified in past inspections by SORM and SFMO have been corrected. Of particular note, the issues identified in 2018 by the SFMO in Sweetwater Housing following the dorm fire have been corrected. And many of the issues identified in Waco have been eliminated with the demolition of older student housing.

	There were instances of issues on some campuses not yet being addressed. An enhancement to the monitoring process is addressed in Finding #1 later in the report. These results represent a significant improvement from results in prior years, even though enhancements are still possible.
Accident Handling, Reporting and Resolution	There is a defined process in place for handling, reporting, and resolving accidents. Overall, each campus has the same process in place. There were minor exceptions related to documentation that were communicated during the audit. These results represent a significant improvement from results in prior years, even though enhancements are still possible.
Communication to Executive Leadership	There is a system of communication by GRC to Executive Leadership and responsible people to make them aware of safety concerns. Again, this is a significant improvement from prior year audit results. Enhancements are still warranted, though, to ensure the significance of some issues are adequately communicated and understood. Many of the significant issues identified in the supplemental confidential report were previously identified during self-inspections. This is addressed in Finding #1.
Self-inspections	Self-inspections are being performed. However, the manner in which they are being conducted and documented, and the timeliness of required remedial action is inconsistent between campuses. This is addressed in Finding #1.
Fire Drills	Fire drills of academic and administrative buildings are being consistently performed on an annual basis. Fire drills in Housing

	are being consistently performed each semester. This, again, is a significant improvement from audits in prior years. There is some inconsistency in the documentation of the fire drills between campuses. And, there is a disconnect between the actual frequency these drills are being performed, and the frequency stated on the Annual Security and Fire Report required by the Clery Act. These issues are addressed in Finding #1.
Emergency Notification System	There is a robust method for notifying the campus community of emergency situations. The system relied upon is frequently tested. This, too, has improved from prior year audit results.
Training	The College has established uniform training requirements for all employees, and expectations are communicated. Training has improved significantly from prior year audit results. For safety related meetings with designated safety personnel, and customized safety training, there is still an opportunity for enhancement. This is addressed in Finding #1.
Emergency Operations Plan	There is a multi-hazard emergency operations plan in place, and tested. Recent situations, such as COVID-19 and the 2021 winter storm have required the plan to be implemented. The College is particularly adept at quickly responding to emergency situations, and adapting its operations. This has been demonstrated in the recent examples noted above, as well as during past floods, hurricanes, and explosions.
Emergency Call Boxes and Elevator Telephones	Where located, all emergency call boxes were operational. They are also tested

	periodically. Most elevator telephones were operational. We found 2 instances where they were not. Those were communicated to management to correct.
Food Services	All food service operations provided by the College had exceptional scores on their recent Health Department inspections. Furthermore, all locations were clean and sanitary when we conducted our own surprise inspections.
Police and Security Services	All police officers at the Waco, Harlingen, and Sweetwater/Abilene campuses are currently licensed peace officers in Texas, and have received appropriate continuing education applicable to their responsibilities. Security guards at the campuses in Marshall, EWCHEC, and Fort Bend are commissioned through the Department of Public Safety, and have received firearm proficiency training within the last 2 years. We were unable to determine whether some of the guards in Fort Bend have undergone firearm proficiency training, even though they carry fire arms. This is also addressed in Finding #1. The campuses in North Texas, Breckenridge, and Brownwood do not have dedicated security or police. Rather, they rely on local municipal and ISD police departments. Since the last audit in 2018, security has been added to the Fort Bend campus, and the quality of the guards has significantly improved at the Marshall campus.

COVID-19 Protocols	During surprise inspections, we noted numerous safety protocols being followed. All staff, students, and visitors wore masks. For the isolated instances where masks were not worn, we observed staff quickly enforcing the rule. Water fountains were restricted, seating in classrooms and other areas were altered, signs and placards were in place, and social distancing was enforced. Frequent communications were made by the Chancellor regarding the pandemic, and robust monitoring and tracking measures were in place.

Introduction

The College has ten campuses throughout the state that are comprised of over 120 educational and administrative structures, 50 group housing structures, 14 athletic facilities and fields, and hundreds of houses and duplexes on the Waco campus (most of these were being demolished during our audit). All of these structures sit on approximately 3,000 acres of land throughout the state. The College also owns agricultural property, and a large airport that accommodates tens of thousands of flights annually. Educational programs taught by the College include courses related to computers, flight instruction, light and heavy equipment repair, welding, machining, and construction. Each program has its own risk profile. The College also has over 1,500 employees that engage in instruction, administration, facilities maintenance and repair, law enforcement, and various customer service roles (i.e., food service, cashiers, retail operations). There are countless safety risk exposures, with common ones being associated with student and employee injuries, criminal activity, natural disasters, and vehicle and airplane crashes. Past injuries have included cuts, burns, crushes, sprains, and breaks due to accidents and carelessness. Crimes included thefts, aggravated assault, theft, and sexual assaults. The campuses have also been exposed to tornadoes, wind and hail damage, hurricanes, floods, fires, pandemics, and artic blasts. These all remain probable risks.

The College has adopted a multi-layered approach in achieving safety and security. This approach encompasses student and employee well-being, as well as limiting the financial exposure associated with damage and loss of assets. Controls such as periodic self-inspections and inspections by outside agencies, comprehensive policies and procedures adopted by the Board of Regents, insurance, designated safety personnel, and various facility controls have been implemented.

Monitoring and training is achieved through designated safety professionals within the GRC Department. There are three full-time safety officers, stationed on the Harlingen, Waco, and Brownwood campuses, who provide safety guidance to all campuses. They also perform safety inspections, facilitate annual inspections of fire alarms, extinguishers, and sprinkler systems, and conduct safety training. The other campuses have designated safety coordinators who receive a monthly additional duty stipend to perform tasks similar those mentioned above, except on a reduced basis.

Objectives

The objectives of this audit were to ensure that the College has implemented safety and security processes that protect people and assets, and, on a sample basis, to identify any significant deficiencies that currently exist that need to be corrected. This audit is intended to satisfy the 3-year audit requirement of Texas Education Code §51.217.

Scope & Methodology

The scope of our audit included various personal and property safety and security risks at all 10 campuses within the College through March 31, 2021. To accomplish our audit objectives, we reviewed safety and security policies and procedures at each campus, performed on-site inspections on a sample of facilities, reviewed accident and self-inspection reports, interviewed numerous personnel, and reviewed other documents and procedures. We also utilized checklists created by GRC using safety rules and regulations, and reviewed inspection reports provided by the State Office of Risk Management and the State Fire Marshal Office.

Positive Observations

Since this audit began in fiscal year 2015, significant improvement has been made in ensuring consistent processes for training and inspecting, and ensuring safety deficiencies are addressed. This has largely been achieved through the consolidation of efforts at each campus under a single office.

Overall, we noticed the following at each campus:
- An emergency communications system has been implemented which uses text messaging, e-mails, and phone calls to alert employees and students of emergency situations. People must opt out from receiving the communications. This system is regularly tested.
- Comprehensive safety related policies are in place. Some of the more extensive ones include a Business Continuity Plan, Emergency Operations Plan, Sexual Assault and Harassment Policies, Personal Protective Equipment Policy, and a policy on the Campus Security Act.
- An Annual Security and Fire Report is prepared and published that informs people of specific crimes and fires that occurred on each campus.

- Safety Data Sheets are maintained of chemicals that are stored on campus, and we did not identify any stockpiles of unused chemicals that were present in past years.
- Facilities are generally well-maintained, and each campus has personnel dedicated towards this goal.
- Fire extinguishers, alarms, artificial defibrillator devices, and first aid kits are deployed throughout each campus, and regularly inspected.
- Instructors actively oversee student labs, provide program specific safety training, and generally enforce personal protective equipment requirements.
- Each campus has a safety representative who regularly inspects and provides guidance.
- There is a defined process for accident reporting and handling.
- Fire drills are periodically performed at each campus.
- Landscaping and outdoor lighting generally limit blind spots and dark areas. We noticed an ongoing effort to improve this even more through LED lights.
- Executive Management and the Board of Regents have established an expectation of safety and security.
- There are dedicated student disciplinary procedures and personnel, with specific procedures for compliance to Title IX and VAWA regulations.
- There is a culture of zero tolerance for harassment and/or bullying of any kind.
- There is a noticeably better working relationship between the College and SORM/ SFMO, as this relationship has been a priority in recent years.

Safety is in a constant state of improvement. It is largely dependent upon the behaviors of every person on campus at any given time. Throughout our inspections, we noted that all safety personnel are well-known and respected by employees, presumably because of their constant presence and expertise. One challenge the process of safety has been working to overcome is related to tracking all safety issues, whether they be deficiencies or periodic tasks, such as inspecting fire alarms. This challenge is being addressed by implementing an available database known as School Dude. Work orders can be input and assigned to different personnel, with completion easily identified through reports that can be generated. It has been fully implemented at the West Texas campuses, and is currently being adopted at the other campuses across the state. Once fully implemented, some of the exceptions cited in this report should be resolved.

One particular highlight of this audit was during my in-person inspection on the Marshall campus. During a surprise visit around 10 PM to verify outside lighting, my presence was quickly identified by security. I entered a welding lab where I noticed students working. I observed all COVID-19 and other safety protocols being observed, and was quickly confronted by an instructor. The observation demonstrated that safety and instruction are being strictly followed, even after hours when management is not present.
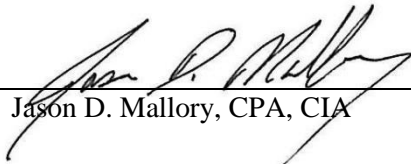
Summary of Finding

Even though significant improvement has been made in safety, there are still opportunities to improve standardization between campuses, and increase accountability.

Opinion

Based on the audit work performed, the College has implemented numerous safety and security controls to ensure students, employees and assets are reasonably safe. While we identified specific safety issues at each campus that need to be addressed, and there is an opportunity to increase standardization and accountability across campuses, we found that the College generally provides a safe and secure environment. Management began addressing our observations and recommendations before this audit concluded.

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

Submitted by:

_____   April 12, 2021
Jason D. Mallory, CPA, CIA   Date

Finding #1: Even though significant improvement has been made in safety, there are still opportunities to improve standardization between campuses, and increase accountability.

Criterion: During our audit, we performed 10 specific tests at each campus. These tests allowed us to gain insight into whether key safety processes have been standardized, and to identify significant deficiencies common to each campus that need to be immediately addressed.

In addition to the significant safety deficiencies detailed in a supplemental confidential audit report (provided to management, but available upon request), the following observations support this finding:

- As detailed in the supplemental confidential report, there were safety concerns identified at each campus that need immediate attention. Many of these concerns were previously identified during other inspections (SORM, SFMO, and/or self-inspection), but had not yet been resolved. This indicates that increased accountability, in some instances, possibly driven by improved communication to Executive Leadership, is necessary to achieve the expectations set forth by Executive Leadership and the Board.

Management Response

This deficiency was the result of a lack of a singular accountability system that can track ALL inspection deficiencies. Manual processes exist specifically relating to the individual Microsoft Word and Excel reports generated as a response to the inspecting entity. Additionally, TSTC Safety has incorporated the use of a Safety Observation Form that is used to identify serious safety concerns and escalate them to TSTC Leadership as necessary depending on the type and severity of the safety deficiency.

TSTC Safety is currently implementing a process by which the existing Facilities & Maintenance tracking software (School Dude®) can be used to track identified deficiencies entered in as a result of an inspection, these deficiencies are assigned to a specific individual and all dates (entry and completion) are tracked. This process will be checked annually by each TSTC SHEA Officer for compliance (process adherence) and reports run to identify any outstanding items. Expected completion of this process.

Chris Martin, Director of Governance, Risk and Compliance is responsible for the implementation of this corrective action plan.

- Periodic self-inspections are being performed at each campus. But, the frequency, quality, and documentation of such inspections are not consistent. A standardized safety check-list is still not in place, and some campuses are not documenting their inspections. Furthermore, the airport on the Waco campus was not being included in the periodic

inspections. [Note: During this audit, a standardized inspection methodology was almost complete, and the airport was brought under the inspection umbrella.]

Management Response

> This deficiency was the lack of a defined safety program until June of 2018 and a lack of communication and transparency between the TSTC Airport and TSTC Safety under previous Airport management.
>
> TSTC Safety has designed a new inspection template to be used and will implement a finalized inspection form by Summer of 2021. Furthermore, all inspections will be documented in School Dude® and also hard copy stored in the TSTC Safety Google® Shared Drive.
>
> Chris Martin, Director of Governance, Risk and Compliance is responsible for the implementation of this corrective action plan.

- Fire drills are taking place, but their actual frequency in academic and administrative buildings is different from the frequency stated in the Annual Security and Fire Report available to the public and sent to the Department of Education. There simply needs to be a reconciliation of the two.

Management Response

> This deficiency was the lack of a defined safety program until June of 2018. By 2020 Fire Drills became consistent with the addition of a 3rd Safety Officer in West Texas and the hiring of a new Safety Officer in Waco in 2019.
>
> TSTC Safety has designated the legally required frequency of fire drills and will coordinate that information with what is listed in the Annual Security and Fire Report. This coordination will occur with the next available annual publication of said report and adherence to this practice and policy will be reviewed annually by the safety director for compliance. All fire drills are tracked in the TSTC Safety Shared Drive and all Annual Security and Fire Reports are reviewed by TSTC Safety and Security prior to publication and then tracked in the TSTC Security Shared Drive.
>
> Chris Martin, Director of Governance, Risk and Compliance is responsible for the implementation of this corrective action plan.

- While general safety training for all employees is appropriate, specialized training at each campus on safety subjects is either inconsistent or inconsistently documented. Better communication between safety personnel has been created, though, to include occasional group meetings, and presentations by SORM.

Management Response

This deficiency was the lack of a defined safety training program until June of 2018. By 2019 safety training became more consistent with the hiring of a new Safety Officer in Waco and the addition of a 3rd Safety Officer in West Texas in 2020.

TSTC Safety will continue to engage in our external safety partners (SORM) and partner with our HR Learning and Development Team to push out periodic safety training to all of TSTC. TSTC Safety. As additional resources are made available to TSTC Safety then more frequent safety training can be applied. There is no timeframe for this corrective action as TSTC Safety continues in an ongoing fashion to be available for training requests from TSTC programs or departments as well as participates in any e-learning training day when invited by HR Learning and Development. All safety training will be monitored by campus SHEA Officers and the director of safety on a monthly and annual basis and tracked in the TSTC Safety Shared Drive.

Chris Martin, Director of Governance, Risk and Compliance is responsible for the implementation of this corrective action plan.

- The process for validating security guard credentials and training needs attention, as we identified a gap with this verification on the EWCHEC and Fort Bend campuses. The guards at EWCHEC are hired by a partner college. While we had no issues with their credentials or training, these had not been previously verified by TSTC personnel. And, as previously stated, we were unable to verify some of the guards at the Fort Bend campus have received firearm proficiency training, even though they carry firearms.

Management Response

This deficiency evolved out of the mismatch of contractual requirements and regulatory laws or requirements pertaining to contract security officers.

TSTC Security will include the requirement of credential validation and training requirements, as stipulated by any and all State regulations in all future contracts with outside security companies for the purpose of providing security on our campuses. This process is implemented immediately. All credentials and training requirements for each contracted security force will be monitored by each respective assigned TSTC Police Chief on an annual basis.

Aurelio Torres, Commissioner of Safety and Security is responsible for the implementation of this corrective action plan.

Consequences: Increased risk of injuries and loss, increased risk of not readily identifying safety concerns that can be easily corrected.

Possible Solutions:
- Finalize and implement the standardized inspection checklist that has been developed, and implement a procedure where frequency and documentation is constantly monitored. For every inspection, identify a single person specifically responsible for correcting each deficiency, and have them acknowledge their responsibility in writing.
- Finalize the implementation of the School Dude database, and consider presenting periodic reports from it to Executive Leadership. A report of significant, unresolved safety concerns may be particularly helpful.
- Change the language in the Annual Security and Fire Report to match the actual frequency of fire drills at academic and administrative buildings.
- Implement a standardized process for specialized safety training at each campus, and consistently document instances.
- Constantly monitor the credentials and training of security guards. At some locations, guard turnover frequently, so a perpetual system of monitoring is needed.

An Executive Summary of TAC-202
at Texas State Technical College

The *Texas Administrative Code, Section* 202 (commonly known as TAC-202) creates the minimum standards for IT security at state agencies. TSTC is subject to these requirements.

The *Texas Department of Information Resources*, the chief IT agency in Texas, provides agencies with a resource for fulfilling TAC-202. These guidelines are published in a *controls catalog* that classifies controls as either required or recommended.

There are 135 required controls that agencies must apply to the general IT environment or their individual systems. Such required controls relate to access, change management, audit logging, back-up & recovery, maintenance, and various physical safeguards.

TAC-202 is so broad and so comprehensive that agencies across the state struggle to comply with the daunting scope of the rules. Indeed, reaching full compliance can take many years for some while other agencies may never reach the goal.

Since the work cannot possibly be completed all at once, the TSTC approach to TAC-202 has been to first target the high-risk and/or mission critical systems. Then, in turn, the various requirements are addressed in a logical sequence of declining risk levels. This work is ongoing today.

While an internal audit is required biennially, TSTC has elected to practice a higher degree of audit frequency in TAC-202. In a collaboration between Internal Audit Department and the TSTC IT staff, the college has a *continuous* audit process. This approach exceeds the minimum requirements and ensures a better pace of continuous improvement toward final completion.

As a result of these continuous efforts, a detailed database of controls shared by both IT and Internal Audit has been built that memorializes the required controls that have been audited, as well as the current status of their implementation. This database is invaluable in managing and documenting the extensive efforts to comply and ensure IT security.

An executive summary of the progress made by TSTC in TAC-202 is presented quarterly by Internal Audit to the Board of Regents in a report called: ***TAC 202 Compliance – Quarterly Update.*** This report follows.

❖❖❖

To: Audit Committee
From: Jason D. Mallory, Audit Director
Subject: TAC 202 Compliance – Quarterly Update
Date: April 15, 2021

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 of systems conducted since 2017. Annually, the list of audits of systems will increase as we continue to audit. Each quarter we test select controls which were previously not implemented. From January 1 through March 31, 2021, **13** more required controls were implemented. There was also **1** control identified this quarter that could not be implemented due to technological limitations. As such, those controls could not be implemented and were documented as "risk accepted". Compensating controls are in place, though, to limit the risk that control was aimed at.

RESULTS

General Controls   Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted [Note 1]	Total
January 2021 – March 2021	61	19	3	3	86
October 2020 – December 2020	53	19	12	2	86
Change	+8	0	-9	+1	

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. IA-7 relates to cryptographic modules. There are no systems or environments that use these.

Colleague   Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2021 – March 2021	33	11	5	0	49
October 2020 – December 2020	33	11	5	0	49
Change	0	0	0	0	

Perceptive Content

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted [Note 2]	Total
January 2021 – March 2021	30	15	3	1	49
October 2020 – December 2020	30	15	3	1	49
Difference	0	0	0	0	

Note 2: AU-5 requires the system to send an alert when an audit log fails. This system does not have that capability.

Maxient

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2021 – March 2021	36	3	10	0	49
October 2020 – December 2020	36	3	10	0	49
Difference	0	0	0	0	

Google Suite

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted [Note 3]	Total
January 2021 – March 2021	38	9	0	2	49
October 2020 – December 2020	38	9	0	2	49
Difference	0	0	0	0	

Note 3: AC-7 requires the system to lock for at least 15 minutes after 10 failed logon attempts. AC-8 requires a banner to be displayed that indicates unauthorized access is prohibited before a user signs on. This system does support either of these requirements. The risk of unauthorized access is mitigated by other compensating controls.

Target X

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2021 – March 2021	26	1	22	0	49
October 2020 – December 2020	26	1	22	0	49
Difference	0	0	0	0	

Informatica Server

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2021 – March 2021	39	0	10	0	49
October 2020 – December 2020	39	0	10	0	49
Difference	0	0	0	0	

PrismCore   Original Audit: September 21, 2020

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted Note 4	Total
January 2021 – March 2021	42	6	0	1	49
October 2020 – December 2020	38	5	5	1	49
Difference	+4	+1	-5	0	

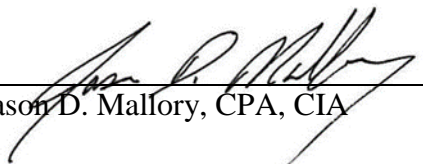*Note 2: AU-5 requires the system to send an alert when an audit log fails. This system does not have that capability.*

Informer   Original Audit: April 6, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted Note 4	Total
January 2021 – March 2021	35	9	5	0	49
October 2020 – December 2020	Not yet audited	Not yet audited	Not yet audited	Not yet audited	49
Difference					

Submitted by:

_____   April 15, 2021
Jason D. Mallory, CPA, CIA   Date

cc: Mike Reeser, Chancellor/CEO
       Ricardo Herrera, VC/CSSO
       Shelli Scherwitz, Executive Vice President/OIT
       Larry McKee, Executive Director/OIT Compliance

Texas Workforce Commission

A Member of Texas Workforce Solutions

Report #19.24.0101

September 10, 2020

Ms. Judith A. Ybarra
Senior Workforce Specialist
Texas State Technical College - Harlingen
3801 Campus Drive
Waco, Texas 76705

Dear Ms. Ybarra:

We have completed our review of the Skills Development programs (contracts #2418SDF002 and #2418SDF003) administered by Texas State Technical College - Harlingen. Our review covered the period July 1, 2018, through February 28, 2019, for contract #2418SDF002, and August 20, 2018, through February 28, 2019, for contract #2418SDF003.

Our findings are summarized in the enclosed report. TWC Audit Resolution will contact you with an initial notification letter requesting the documentation necessary to resolve the outstanding findings identified in the report. The Grantee will have 45 calendar days from the issuance of the letter to respond to Audit Resolution with the documentation.

Thank you again for your cooperation and assistance. Should you have any further questions concerning the review, please contact me at (512) 936-3612.

Sincerely,

Mary B Millan

Mary B. Millan, Director of Field Operations
Subrecipient Monitoring
Regulatory Integrity Division

Attachment

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A-57

Monitoring Report

#19.24.0101

Texas State Technical College - Harlingen

Issued by Texas Workforce Commission

Subrecipient Monitoring Department

Grantee Background

Texas State Technical College - Harlingen, was awarded Skills Development contracts #2418SDF002, and #2418SDF003. Contract #2418SDF002 totaled $301,238.00 and spanned the period July 1, 2018, through December 31, 2019. Contract #2418SDF003 totaled $155,721.00 and spanned the period August 1, 2018, through November 30, 2019.

Contract #2418SDF002 provided training to employees in skills upgrades for production and maintenance team members, that will reduce equipment downtime and keep pace with manufacturing demands. Upon completion of training, business partners anticipate increased automation through better maintenance and operation of robots, increased productivity, the positioning of team members for promotions, and the ability to perform machine maintenance in-house.

Contract #2418SDF003 provided hands-on technical and safety training to employees as the business partners expand and compete in global markets. Training will concentrate on highly technical production processes, improved operator maintenance skills, and computer numerical controller services. Upon completion of training, the business partners anticipate improved quality, reduced changeover and set-up times, increased production, decreased scrap, increased competitiveness and profitability, and the positioning of trainees for promotions as skilled workers retire.

Executive Summary

The Texas Workforce Commission, Subrecipient Monitoring Department conducted a review of Texas State Technical College - Harlingen, Skills Development programs. This review identified opportunities to strengthen management controls and support compliance with contract requirements.

The Grantee is responsible for providing its Partners, Subrecipients, and Contractors with these findings and areas of concern and following up to ensure that any needed corrective actions are completed.

Finding #1: Ensure Administrative Expenses are Supported

The Grantee reported administrative expenses for contracts #2418SDF002 and #2418SDF003 based on a flat rate percentage with no documentation to support the costs. Therefore, we are questioning the administrative costs of $2,574.10 for contract #2418SDF002, and $1.413.90 for contract #2418SDF003, for a total of $3,988.00 in questioned costs during the scope of the review. In addition, the Grantee had not developed a cost allocation plan to ensure administration and program costs are charged to contracts based on benefits received.

The Grantee should develop and implement a costs allocation plan, maintain documentation to support actual costs, and accurately report administrative expenditures monthly. TWC Audit Resolution will work with the Grantee on the questioned costs of $3,988.00, and any additional identified costs.

Finding #2: Ensure Eligibility Requirements are Followed

The Grantee did not ensure that three participants met the grant eligibility requirements for contract #2814SDF003, prior to providing grant funded training. The three participants

were not full-time employees of the contracted business partner and this results in disallowed costs in the amount of $1,708.00, for the three trainees.

The Grantee should strengthen its eligibility determination process to ensure all participants are eligible prior to program participation. TWC Audit Resolution will work with the Grantee on the questioned cost of $1,708.00, and any additional identified costs.

Finding #3: Ensure All Training Costs are Reported Accurately

The Grantee contracted with its training providers for services rendered under contract #2418SDF002 at a lower rate than the reimbursable amount pre-negotiated in the TWC contract, which was based on estimated costs for the Grantee to provide the classes. However, the expenditures were charged to the grant at the higher amount.

For all future contracts, the Grantee should submit all changes in training providers and revised estimated costs to TWC Contract Manager for approval and request a contract amendment that includes the revised estimated costs.

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Findings

Ensure Administrative Expenses are Supported

The Grantee reported administrative expenses for contracts #2418SDF002 and #2418SDF003 based on a flat rate percentage with no documentation to support the costs. Therefore, we are questioning the administrative costs of $2,574.10 for contract #2418SDF002, and $1.413.90 for contract #2418SDF003, for a total of $3,988.00 in questioned costs during the scope of the review. In addition, the Grantee had not developed a cost allocation plan to ensure administration and program costs are charged to contracts based on benefits received.

Without a consistent method for allocating costs, expenditures may not be accurately allocated based on benefit received.

FMGC, Chapter 8: Cost Principles states:

"In order to be allowable under a federal or state award, a cost must meet the general allowability criteria established by the Office of Management and Budget Circulars, and/or the Uniform Grant Management Standards, as applicable.

A cost must meet the following general criteria in order to be allowable under a federal or state award:

...Be adequately documented. Documentation required may include, but is not limited to, travel records, time sheets, invoices, contracts, mileage records, billing records, telephone bills and other documentation that verifies the expenditure amount and appropriateness to the grant."

FMGC, Chapter 11, Cost Allocation & Resource Sharing, states:

"The cost allocation plan must be adequately documented and must include all costs that will be claimed as allocated costs under federal or state awards."

Recommendation

The Grantee should develop and implement a costs allocation plan, maintain documentation to support actual costs, and accurately report administrative expenditures monthly. TWC Audit Resolution will work with the Grantee on the questioned costs of $3,988.00, and any additional identified costs.

Ensure Eligibility Requirements are Followed

The Grantee did not ensure that three participants met the grant eligibility requirements for contract #2814SDF003, prior to providing grant funded training. The three participants were not full-time employees of the contracted business partner and this resulted in disallowed costs in the amount of $1,708.00, for the three trainees.

Without ensuring the grant eligibility requirements are followed, there is a risk that services may be provided to ineligible trainees.

TWC Contract #2418SDF003, Revised Attachment A, Skills Development Fund, Statement of Work – Project Requirements, Section 4 - Eligibility states:

"Project participants (i.e. trainees) must be full-time employees of the contract business partner(s) (i.e. employers), as indicated in Attachment A-1 of this grant award prior to receiving training under this grant award. Only full-time employees for which the contracted business partners are contributing Texas Unemployment Insurance taxes are eligible to participate in training under this grant award."

Recommendation

The Grantee should strengthen its eligibility determination process to ensure all participants are eligible prior to program participation. TWC Audit Resolution will work with the Grantee on the questioned cost of $1,708.00, and any additional identified costs.

Ensure All Training Costs are Reported Accurately

The Grantee contracted with its training providers for services rendered under contract #2418SDF002 at a lower rate than the reimbursable amount pre-negotiated in the TWC contract, which was based on estimated costs for the Grantee to provide the classes. However, the expenditures were charged to the grant at the higher amount.

Without submitting a contract amendment request to TWC for changes in the cost per trainee, the expenditures charged to the grant may be unallowable, leading to questioned costs.

TWC Contract #2418SDF002, General Terms and Conditions, Chapter 15, Changes and Amendments, 15.6 states:

"Any additions, alterations, deletions, or extensions to the terms of this grant award shall be by amendment hereto in writing and executed by all parties to this grant award except as specifically provided by Sections 15.2 and 15.3 of this GTC, and for budget line item changes, which shall be processed pursuant to Section 1 of Attachment B of this grant award."

TWC Contract #2418SDF002, Attachment B, Skills Development Fund, Statement of Work – Financial Requirements, Section 1 – Expenditure Limitations states:

"1.1 The Agency is liable to the Grantee in an amount equal to, but not in excess of, the lesser of the amount of the grant or actual costs incurred by the Grantee in rendering the performance specified in the Statements of Work and any attachments subject to the following provisions:

1.1.1 The limitations established within the project budget documents (Attachments B-1, Budget; and B-2, Budget Management Form of this grant)…".

And, continues, "1.7 Any change in the amount of the budget line item requires the prior written approval and the subsequent change to the line item in the Cash Draw and Expenditures Reporting (CDER) system by the designated Agency Contract Manager."

Recommendation

For all future contracts, the Grantee should submit all changes in training providers and revised estimated costs to TWC Contract Manager for approval and request a contract amendment that includes the revised estimated costs.

January 19, 2021

Ruth C. Cureton
TWC Audit Resolution
Texas Workforce Commission
101 E. 15th Street
Austin, TX 78778-0001

RE: Texas State Technical College Harlingen Monitoring Report #19.24.0101 FINAL Responses

Dear Ms. Cureton:

This letter is a **final** response findings identified in the Texas Workforce Commission (TWC) Monitoring Report #19.24.0101.   The report included a review of the Skills Development programs (contracts #2418SDF002 and #2418SDF003) administered by Texas State Technical College - Harlingen (Grantee). The monitoring review identified the following findings and the college's responses are outlined below:

Finding: Ensure Administrative Expenses are Supported

The Grantee reported administrative expenses for contracts #2418SDF002 and #2418SDF003 based on a flat rate percentage with no documentation to support the costs. Therefore, we are questioning the administrative costs of $2,574.10 for contract #2418SDF002 and $1,413.90 for contract #2418SDF003 for a total of $3,988.00 in questioned costs. In addition, the Grantee had not developed a cost allocation plan to ensure administration and program costs are charged to contracts based on benefits received.

Without a consistent method for allocating costs, expenditures may not be accurately allocated based on benefit received.

Documentation Required:

The recommendation in the monitoring report states that the Grantee should develop and implement a cost allocation plan, maintain documentation to support actual costs, and accurately report administrative expenditures monthly. Please provide a cost allocation plan specifically addressing how administrative costs will be documented and charged each month and how these costs will be supported. In addition, please provide payroll timesheets for each employee performing administrative functions and their time charged to each of the Skills Development contracts noted, along with

salary information for at least one month. Lastly, please provide policies and procedures to address the weaknesses identified.

College Response: Based on our understanding that TWC is requesting an hourly accounting for administrative costs covering the two SDF grants under review, the college is proceeding with return of questioned administrative costs of $3,988. Unfortunately, to accurately document the 17 months of missing information now would be impossible since this was not a procedure at the time. To do so would risk unintentionally falsifying the information. As a result, the college concurs with TWC's finding in these instances, and has altered procedures for post-award administrative cost documentation.

As a result, the college has accepted this finding and will remit the questioned costs of $3,988. At this writing (and at the time of the monitoring visit), the college only tracked time and effort to administrative, indirect or direct grant costs for salaries charged directly to grant accounts. Pursuant to discussions with the TWC audit resolution team and representatives of TWC's Workforce Development Division, the TSTC Office of Sponsored Programs (OSP) has made changes to the process in use for monitoring administrative time and effort. Once accepted by the TWC audit resolution team, these changes will be implemented on all currently active grants from the date of acceptance of the report onward.

Effective immediately, OSP will implement time and effort tracking for all active SDF grants, impacting OSP post-award staff, Grant Accounting staff, and Workforce Training administrative staff tasked with SDF grant implementation. The OSP post-award team will conduct training for the Workforce staff who have not participated in time and effort reporting before. The TSTC OSP time and effort records are kept monthly, signed by participants and their supervisors, and available to auditors, monitoring teams and desk reviewers throughout the life of the grant and for its required records retention period. In the event that administrative costs are included in external sub-contracts with other colleges, those agreements will include commitments to include time and effort reporting for that portion of the SDF administrative budget included in the sub-contract.

Finding: Ensure Eligibility Requirements are Followed

The Grantee did not ensure that three participants met the grant eligibility requirements for contract #2418SDF003, prior to providing grant funded training. The three participants were not full-time employees of the contracted business partner and this resulted in questioned costs in the amount of $1,708.00, for the three trainees.

Without ensuring the grant eligibility requirements are followed, there is a risk that services may be provided to ineligible trainees.

Documentation Required:

The recommendation in the monitoring report states that the Grantee should strengthen its eligibility determination process to ensure all participants are eligible prior to program participation. Please provide implemented procedures and controls which ensure all participants meet grant specific eligibility requirements prior to participants receiving training and that documentation is obtained and maintained in participant's file.

College Response: TSTC Workforce Training has implemented controls that will have each contracted business partner complete and sign the Participant Eligibility Document (see Attachment 4 Participant Eligibility Document) attesting to and certifying that all employees listed on the form are eligible to participate in training in that UI wages are being paid and that the employees are full-time. This Participant Eligibility Document will be completed and updated quarterly to include all employees that have participated in and completed training up to that point. This document will then be sent to the contracted business partner to both confirm that the trainees are still eligible and also provide any applicable termination dates. At the conclusion of the grant, all trainees that have participated in and completed training will be listed on the Participant Eligibility Document and the contracted business partner will provide a final certification of UI wages, full-time status, and any applicable terminations for the listed trainees.

In regard to the questioned costs, if there's additional documentation that you wish for us to consider in reducing the disallowed costs, for the following participants, please provide it for our review:

1. Saul Garza
2. Jesus Alonso
3. Karina Teran Quiroga

College Response: TSTC agrees to the repayment of $1,708 are that deemed disallowed. TSTC is unable to provide additional documentation that the three trainees identified were eligible participants at the time of training. The questioned costs will be repaid by TSTC.

Finding: Ensure All Training Costs are Reported Accurately

The Grantee contracted with its training providers for services rendered under contract #2418SDF002 at a lower rate than the reimbursable amounts pre-negotiated in the TWC contract, which was based on estimated costs for the Grantee to provide the classes. However, the expenditures were charged to the grant at the higher amount.

Without submitting a contract amendment request to TWC for changes in the cost per trainee, the expenditures charged to the grant may be unallowable, leading to questioned costs.

College Response: When third party training providers are identified in SDF proposals or required to complete existing SDF grants, the TSTC Workforce Training Team initiating such contracts will route all such contracts (and amendments) through the Office of Sponsored Programs via the TSTC Procurement's Jaegger ("RSolutions") contracting system. This will provide documentation for TSTC post-award Sponsored Programs staff to review and monitor any revised cost estimates in light of current SDF contracts and costing, and to propose appropriate amendments. In accordance with TWC Grant Award Terms and Conditions: TSTC will "submit any additions, alterations, deletions, or extensions to the deliverable targets or performance requirements of this grant award which exceed the allowable variances or limitations as set forth in Section 15 of the GTC, alter the deliverable targets in Section 6 of Attachment A of this grant award, or alter any other performance requirements of this grant award to the Agency…."

Thank you for assistance in this matter. Should you have any questions or concerns please contact me at (956) 364-4555.

Sincerely,

Judith A. Ybarra
Senior Workforce Specialist

cc.   Carliss Hyde, Vice President, Sponsored Programs
        Jason Mallory, Director of Internal Audit

January 19, 2021

Judy Ohn
TWC Audit Resolution
Texas Workforce Commission
101 E. 15th Street
Austin, TX 78778-0001

RE: Texas State Technical College Harlingen Monitoring Report #19.24.0101 FINAL Responses

Dear Ms. Ohn:

This letter is a **final** response addressing the implemented controls TSTC has developed in response to Texas Workforce Commission (TWC) Monitoring Report #19.24.0101. The report included a review of the Skills Development programs (contracts #2418SDF002 and #2418SDF003) administered by Texas State Technical College - Harlingen (Grantee). TSTC is providing the following measures and internal controls to ensure that administrative expenses are supported:

Controls: Ensure Administrative Expenses are Supported

1. Time and effort reports for the whole month of February 2021, for all staff working on the Skills Development Grants.
2. Summary of salary information for staff hours applied to the Skills Grants for the month of February.
3. A Spreadsheet showing the allocation of hours to specific contracts.
4. Administrative dollars draw down requested by TSTC for the month of February, 2021 for the contracts affected.

Thank you for assistance in this matter. Should you have any questions or concerns please contact me at (956) 364-4555.

Sincerely,

Judith A. Ybarra
Senior Workforce Specialist

cc.   Carliss Hyde, Vice President, Sponsored Programs
        Jason Mallory, Director of Internal Audit

tstc.edu

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.