

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, August 19, 2021

9:00a.m.

AGENDA

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

II. COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS

24-21(c) Approve Fiscal Year 2022 Audit Plan A-3
Jason D. Mallory

IV. REPORTS:

1. Status of Fiscal Year 2021 Audit Schedule & Other Projects A-9
Jason D. Mallory
2. Summary of Audit Reports..... A-13
Jason D. Mallory
3. Follow-up Schedule & Status A-18
Jason D. Mallory

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

4. Quality Assurance Review on the Internal Audit Department of the Texas State Technical College	A-28
<i>The Texas State University System</i>	
5. Faculty Credentials Audit (21-018A).....	A-34
<i>Jason D. Mallory</i>	
6. Audit of HEERF Grant as part of CARES ACT (21-006A)	A-41
<i>Jason D. Mallory</i>	
7. TAC 202 – Quarterly Update (21-009A)	A-52
<i>Jason D. Mallory</i>	
8. Financial Processes Audit Report	A-56
<i>The State of Texas State Auditor</i>	
9. Licensing Audit of the TSTC Waco Police Department.....	A-80
<i>Texas Commission on Law Enforcement</i>	
10. AY 2020 A-133 Evaluation Management Letter	A-81
<i>Texas Higher Education Coordinating Board</i>	
11. AY 2019 Perkins Desk Review Management Letter CFDA 84.048	A-82
<i>Texas Higher Education Coordinating Board</i>	
12. 2020-2021 Perkins Basic Grant Programmatic Desk Review	A-83
<i>Jason D. Mallory</i>	
13. Attestation Disclosure.....	A-86
<i>Jason D. Mallory</i>	

V. CHANCELLOR COMMENTS

VI. BOARD COMMENTS

VII. ADJOURN

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

Board Meeting Date:	August 19, 2021	Proposed Minute Order #: 24-21(c)
Proposed By:	Jason D. Mallory, Director of Audits	
Subject:	Approve Audit Plan for Fiscal Year 2022	
Background:	The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents' approval for the annual audit plan and any revisions.	
Justification:	The guidelines of the Internal Auditing Act require that the internal auditor use risk assessment techniques to prepare an annual audit plan. The plan must identify the individual audits to be conducted during the year, and requires approval by the Board of Regents.	
Additional Information:	None	
Fiscal Implications:	Funds available as budgeted for fiscal year 2022.	
Attestation:	The Minute Order is in compliance with all applicable laws and regulations to the best of my knowledge.	
Attachment(s):	Proposed Audit Plan – Fiscal Year 2022	
Recommended Minute Order:	"The Texas State Technical College Board of Regents approves the audit plan for fiscal year 2022."	
Recommended By:	[ORIGINAL SIGNED BY] Jason D. Mallory, Director of Audits	

Audit Plan

Fiscal Year 2022

Proposed August 19, 2021

Executive Summary

The purpose of the Audit Plan (Plan) is to outline audits and other activities the Internal Audit Department will conduct during fiscal year 2022. The Plan was developed through collaboration with the Board of Regents (Board), Executive Management, and other managers throughout the College, as well as the Internal Audit staff. Risk assessment techniques, described later in this report, identified individual audits to be conducted during the year by considering the College's major activities and processes, which included its accounting systems and processes, administrative processes, and information technology systems. The Plan, its development, and approval are intended to satisfy requirements under the Internal Audit Charter (SOS GA.1.4) and the Texas Internal Auditing Act (TGC Chapter 2102).

Departmental managers throughout the College were asked to risk assess the major activities and processes under their responsibility using five high level risks. Those assessments supplemented information obtained in other surveys used to understand risk priorities.

As result of those efforts, the Plan includes 13 full-scope internal audits and 4 limited scopes audits. It also anticipates follow-up audits, investigations, and various administrative responsibilities. The Plan includes audits of various IT systems and resources, regulatory required audits, and audits specifically requested in planning surveys. The fiscal year will conclude with preparing another annual audit plan and the Annual Audit Report which will summarize all FY 2022 audit activity.

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

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

To formulate the Plan, the Board and Executive Management ranked the following 5 risks:

Financial Risks
These are internal or external threats which would cause unnecessary expenses and/or lost revenue. For this exercise, consider the realistic threats to the activity you are assessing.
Fraud Risks
These are internal or external threats which would allow fraudulent, wasteful or abusive activity to occur without immediate detection resulting in significant monetary loss or loss of reputation or public confidence. For this exercise, consider the realistic threats to the activity you are assessing.
Regulatory/Compliance Risks
These are internal or external threats which would allow non-compliance to major regulations and laws, College policies, and high value contracts. For this exercise, consider the realistic threats to the activity you are assessing.

Sensitive Information Risks
These are internal or external threats which could result in sensitive information, like social security numbers, grades, health information, etc. being compromised. For this exercise, consider the realistic threats to the activity you are assessing.
COVID-Related Risks
This is any risk has increased or manifested as a result of remote work associated with managing the pandemic.

They independently prioritized the risks so the Plan could be developed with those priorities in mind. Internal Audit staff also performed a similar exercise.

The following chart reflects those rankings:

Risk Priority	Executive Management	Board of Regents
Highest Priority	Sensitive Information	Sensitive Information, Financial (tied)
2nd	Compliance	
3rd	Financial	Compliance
4th	Fraud	Fraud
Lowest Priority	COVID-Related	COVID-Related

We reviewed risk assessments performed by managers throughout the College of the major activities and processes under their responsibility. These risk assessments yielded information about each activity's **Inherent Risk** (the risk present in an activity before any controls are applied) and its **Residual Risk** (the risk remaining in an activity after reasonable controls have been applied). These assessments assisted us with identifying activities and processes that pose the greatest risk to the College. The assessments also allowed us to gain current insight into the perspective of each manager responsible for overseeing the activities.

Finally, we compiled lists of required and requested audits. The Plan was developed using all of the information. It attempts to achieve risk priorities, compliance, and incorporate requested audits that fall with those priorities.

Internal Audit Available Time

Total hours (5 Staff * 52 Weeks *40 hours)	10,400	100%
Less: Estimated vacation, holiday, sick, & training	1,240	12%
Total hours available for audits, other projects, & administration	9160	88%

Total hours available for audits, other projects, & administration	9,160	100%
Less: Administration (meetings, travel time, research, campus volunteering, w/p reviews, campus education, etc.)	2,315	25%
Total hours available for audits and risk based projects	6,845	75%

Proposed 2022 Audit Plan

1. **TEC 51.9337 (Contracting) Audit:** Required to be audited annually. This audit will test compliance to TEC 51.9337 related to contracting. Some of the tests that will be performed include policy requirements, training, conflict of interest disclosures, tracking of contracts, approval authority, and the availability and compliance to a College contract handbook. As requested, this audit will review the contract(s) associated with ground maintenance
2. **Public Funds Investment Act Audit:** Required to be audited every 2 years. This audit will test compliance to the Act, to include training, type of investments, reporting, and other disclosures.
3. **Benefits Proportionality Audit:** Article III of the General Appropriations Act of the 87th Legislature requires an internal audit of benefits proportional by method of finance no later than August 31, 2022. The audit must examine fiscal years 2019, 2020, and 2021, and must be conducted using a methodology approved by the State Auditor's Office.
4. **Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit:** This audit will test the distribution and justification of the Higher Education Emergency Relief Funds (HEERF) and other funds provided by the second installment of CARES.
5. **Internal Network Penetration Test (North Texas campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
6. **Internal Network Penetration Test (Fort Bend campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
7. **Tuition Audit:** This audit will test the calculation and payment of tuition.

8. **Marshall Bookstore Audit:** This audit will test the business operations of the bookstore. Inventory levels of books and merchandise will be reviewed to verify they are maintained at levels to maximize profit. Accounting will also be included in the scope, as will cash controls, refunds and returns, and controls which ensure assets are reasonably safeguarded.
9. **On-Line Learning Integrated Audit:** This audit will verify the controls and processes for ensuring the quality and integrity of on-line education. **Canvas**, the new system used in this activity will also be reviewed for TAC 202 compliance.
10. **Surprise Cash Counts:** Throughout the year, surprise cash counts will be conducted at offices that handle cash.
11. **Surprise Police Evidence Inspections:** Throughout the year, crime evidence in the custody of the TSTC Police Departments will be inspected to ensure it is safeguarded and present.
12. **Virtual Private Network Audit:** This audit will test required TAC 202 controls for the Virtual Private Network that allows remote access into the College's most secure systems.
13. **Audit of TWC Server:** This audit will test security and access to the server. Applicable TAC 202 controls and the governing contract will be also be utilized.
14. **Academic Records Management:** This audit will test the processes for ensuring official College transcripts and electronic records reflect grades assigned by instructors.
15. **TAC 202 (IT Security) Follow-up Audit:** An audit is required every 2 years. This will be a follow-up audit of required IT controls from previously performed audits. It will focus on the required IT control families listed in the regulation, with an emphasis on IT security.
16. **PCI Follow-up:** This project will continue to verify the implementation of required PCI controls for the areas that accept credit cards.
17. **External Penetration Test Follow-up:** In September 2020, OIT engaged an external party to perform a penetration test. This project will verify all vulnerabilities were addressed.



**Texas State Technical College
Internal Audit
Status of Fiscal Year 2021 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
INTERNAL AUDITS						
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
Internal & External Quality Assessment Review	Internal Audit	Complete	21-008A	5/17/21	8/30/18	Required every 3 years
Administrative & Faculty Qualifications Audit	Instructional & HR	Complete	21-018A	5/20/21	-	Risk Based
Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit	Office of Sponsored Programs & Financial Aid	Complete	21-006A	7/6/21	-	Risk Based
TAC 202 Follow-up Audit	OIT	Complete	21-009A	7/8/21	4/15/21	Required Bi-annually
TEC 51.9337 (Contracting) Audit	Procurement	In Progress			7/2/20	Required
Accounts Receivable/Billing Audit	Finance and others	In Progress				Risk Based

EXTERNAL AUDITS

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, Compliance with Federal Requirements for SFA Cluster, Compliance with Education Stabilization Fund by the State Auditor's Office	State of Texas - Includes TSTC	Complete - reports available upon request		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	SAO 21-017	4/30/21
Texas Commission on Law Enforcement Agency Audit Report	Waco Campus - Police Department	Complete		4/20/21
AY 2020 A-133 Evaluation Management Letter by the THECB	Finance	Complete		6/23/21
Statewide Report on Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements by the State Auditor's Office	State of Texas - Includes TSTC	Complete - report is available upon request		6/30/21
Desk Review of Perkins Career and Technical Education – Basic Grants to States, CFDA#84.048, Award #20796 by the THECB	OSP/Harlingen	Complete		7/8/21
2020-2021 Perkins Basic Grant Programmatic Desk Review Notification by the THECB	OSP	Complete		7/12/21

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
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 artificially 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: Reviewed suspicious refunds, book buybacks, inventory shortages, and cash deposits. Identified control weaknesses, but nothing conclusive was identified which incriminates the suspected person. We relayed our results to the TSTC Police.	Sweetwater/Bookstore	Complete	21-019I	5/13/21		
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 reviewed access to several systems and servers, as well as had a 3rd party perform a forensic scan. We found no evidence to suggest sensitive information used in the scams was obtained through the College.	OIT	Complete	21-020I	5/6/21		

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
SAO Hotline: Received 2 separate complaints filed through the SAO. One alleged employees were unlawfully receiving CARES funds, and the other alleged an employee had awarded members of her family CARES funds. Results: Verified that employees who are students have received CARES funds. We did not identify anything unlawful about this practice, but recommended enhanced controls. We also identified one employee who, in fact, did approve her CARES funds for close relatives with out making anyone aware of the relationships. Employment was terminated and disbursed funds were moved to another funding source.	Student Services/OSP	Complete, both issues addressed in audit 21-006A.	21-006A	7/6/21		
SAO & Internal Hotlines: Received 5 separate complaints regarding ineffective management and inadequate services within Retention Services. Results: Determined that this was primarily an HR matter. IA & HR repartnered to resolve. Recommendations were offered to help improve employee relations and the quality of services that are being provided.	Student Services	Complete	21-027I	7/15/21		
SAO Hotline: Received a complaint alleging unfair work practices. Referred the matter to HR for review and resolution. Results: Pending final review and response from HR.	Student Services	Pending Response				
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 assessment document was presented to them.	OIT/Safety	Report is being drafted	20-007P			
Consulting: Serving on Workday implementation. Role is limited to monitoring re-designed business processes for unmitigated risks, raising security concerns, monitoring end to end testing.	OIT/Finance/HR	In Progress				
Consulting: Serving on Waco Task Force for demolishing numerous building. Role is limited identifying potential risks and suggesting ways to mitigate those risks.	Facilities/Finance	In Progress				

Glossary

CFDA	Catalog of Federal Domestic Assistance
HR	Human Resources
IA	Internal Audit
IT	Information Technology
OIT	Office of Information Technology

Description	Division/Campus	Status	Project No.	Report	Last Audit	Audit
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
Quality Assurance Review of Internal Audit (21-008A)		The internal audit activity at TSTC generally conforms to the Standards.			
Faculty Credentials Audit (21-018A)	1. While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.	Some instructor credentialing files were missing forms, key employment documentation, and/or signatures; identified some that did not appear to hold the proper credentials to teach (may be a documentation issue); some resumes were not supported or verified. Most of the exceptions relate to instructors hired before September 2020.	1.1 Convert hard copy files to digital file repository. 1.2 Implement the Strategic Planning Online system. 1.3 Finish self-audits of all instructors hired before 3/1/2020. 1.4 Finish self-audits of all instructors hired after 3/1/2020.	DeLeon	1.1 6/15/21 1.2 12/31/21 1.3 5/31/22 1.4 12/1/21
Audit of HEERF Grant as part of CARES ACT (21-006A)	1. We found isolated instances of non-compliance in some student disbursements and reporting requirements.	Two students were not US citizens; Two students were enrolled in online only programs; Estimated total # of student eligible to participate not posted on the College's website; One quarterly report not submitted by the deadline.	1.1 Ineligible awards will be funded by an institutional funding source. 1.2 Update Website 1.3 Unlike all other federal grants, the report deadline is not 45 days from quarter end. The 10 delaine is difficult to achieve because some purchases are not posted until after the 10th. Nevertheless, we will continue to try to make the deadline.	Clinton, Stuart-Carruthers	1.1 7/6/21 1.2 7/6/21 1.3 Ongoing

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
	2. Internal controls need to be improved.	Emergency Aid Protocol document sometimes did not reflect actual practice; Six students were awarded more than they requested; Award were made on two identical applications; Awards to employees need to be more controlled.	2.1 Continue to update Protocol as the rules become more clear. 2.2 Perform weekly self-audits of random awards. 2.3 For employee awards, implement approval by someone outside of the employee's division, verify conditions of need did not exist prior to becoming a student, terminate one employee who awarded aid to family members, reclassify source of funds, implement enhance COI training.		2.1 Ongoing 2.2 Immediately 2.3 Immediately

TAC 202 Compliance – Quarterly Update (21-009A)	1.	44 more controls were identified as being implemented, with the risk being accepted on 1 control.			
--	----	---	--	--	--

Financial Processes Audit by the State Auditor's Office	1.	The College had weaknesses in its asset recording and disposal processes.	<p>The College's process was not adequate to ensure that donated assets were added to its inventory and SPA; the College's process was not adequate to ensure that it accounted for auctioned and disposed assets; the College does not perform a reconciliation between its financial record system and SPA for all assets; Law enforcement is not always notified within 48 hours of the College determining that an asset has been stolen; The College did not consistently determine employee negligence when investigating stolen assets.</p> <p>1.1 SPA will no longer be used after 8/31/21, therefore, no reconciliation will be necessary. 1.2 Implement enhance fixed asset training that includes awareness to report donated assets. 1.3 Implementation of Workday 1.4 Utilize a cross divisional committee to review negligence related to stolen assets.</p>		1.1 8/31/21 1.2 12/31/21 1.3 2/28/22 1.4 8/31/21
--	----	---	--	--	---

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
	2. The College should strengthen its access controls and maintenance processes to help ensure the reliability of its financial data.	Account lockouts do not occur after 10 attempts; Found employees with inappropriate levels of access; Some programmatic changes and patches did not follow the change management processes; Policies needed updating.	1.1 The College will strengthen password length and lock-out duration controls to address the issues communicated in writing. 1.2 Current user credentials in Colleague will be compared to a current employee list, with all exceptions being immediately corrected. 1.3 Workday will make assigning and managing access easier to eliminate such issues. 1.4 Monthly self-audits of changes to Colleague to ensure change management is being followed	McKee, Scherwitz	1.1 Immediately 1.2 5/1/21 1.3 2/28/22 1.4 Immediately

Licensing Audit by Texas Commission on Law Enforcement	No findings identified.
--	-------------------------

AY 2020 A-133 Evaluation Management Letter by THECB	No findings identified.
---	-------------------------

AY 2019 Perkins Desk Review Management Letter	No findings identified.
---	-------------------------

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
2020-2021 Perkins Basic Grant Programmatic Desk Review by the THECB	1. 3P1 is the new Perkins V non-traditional indicator and is focused on enrollment. Recommend that the institution continue to pay particular attention to non-traditional enrollment and prioritize ameliorating strategies going forward.		TSTC is committed to improving non-traditional enrollment and will continue to incorporate strategies and best practices targeting those efforts. These strategies and initiatives will be incorporated into the Perkins 2021-2022 program year.	Hyde	Ongoing
	2. If not already doing so, tag inventory with a unique property number that identifies the source of funding.		TSTC utilizes an inventory tracking system with a unique identifying number that is cross referenced in our inventory management system and in addition, is identified with a separate, non-removable Perkins grant tag. The system identifies such things as the grant account (funder), steward, location, purchase amount, and useful life.	Hyde	Ongoing
	3. Confirm that all committee chairs and co-chairs are external to the institution, as required by GIPWE.		We have confirmed that all committee chairs and co-chairs are external to TSTC. The Instrumentation Technology chair was actually Wes Nance with Lyondell Chemical during that particular board meeting.	Hyde	Ongoing
	4. An update of T&E report forms is required to provide space to indicate the activities performed during Perkins-funded reported time (RFA 7.5.2.1 concerning Schedule A expenditures; RFA 9.43 Time and Effort Recordkeeping.)		An updated T&E form has been developed to include employee title and space to indicate a list of activities performed for that month. This new form will be implemented starting 7/1/2021.	Hyde	Ongoing



Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary		
	3/31/21	6/30/21
Audits from FY 2017 & Earlier	4	4
Audits from FY 2018	1	1
Audits from FY 2019	4	1
Audits from FY 2020	3	1
Audits from FY 2021	5	8
Net Total	17	15

Highlights:

TAC 202 Audits: 44 more controls were implemented.
Workplace Harassment Audit (19-014A): Final CAP cleared.
Airport Operations Audit (20-008A): 1 CAP cleared.
Harlingen Bookstore Audit (20-033A): Final CAP cleared.
Servion Contract Audit (21-005A): 1 CAP cleared.
West Texas Internal Penetration Test (21-017A): Final 3 CAPs cleared.
PCI Audit: Multiple controls were implemented.
West Texas Bookstore Investigation (21-019D): 1 CAP Completed early, with another being substantially complete.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
<p>Summary of Departmental Audits (Marshall Welding Department 17- 013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17- 022A), C. Wooten, Boykin</p>	<p>1. We identified numerous exceptions related to inventory control in the Welding Department. In 2021, the SAO also cited the following issues: The College's process was not adequate to ensure that donated assets were added to its inventory and SPA; the College's process was not adequate to ensure that it accounted for auctioned and disposed assets; the College does not perform a reconciliation between its financial record system and SPA for all assets; Law enforcement is not always notified within 48 hours of the College determining that an asset has been stolen; The College did not consistently determine employee negligence when investigating stolen assets.</p>	<p>1.1 SPA will no longer be used after 8/31/21, therefore, no reconciliation will be necessary. 1.2 Implement enhance fixed asset training that includes awareness to report donated assets. 1.3 Implementation of Workday 1.4 Utilize a cross divisional committee to review negligence related to stolen assets.</p>	<p>Ongoing: Determined in follow-up testing performed in November 2018 and June 2019 that procedures were improved going forward. The SAO has 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.</p>

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
TAC \$202 Compliance Audits (17- 002A) (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 0 general controls and 13 (total for all systems audited) application controls were not yet implemented. In this quarter, 44 controls were improved to implemented status.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
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: Follow-up testing began on 4/12/21 and is continuing. Several additional controls have been implemented.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
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.	Substantially Complete: On 7/15/21, we were informed that some users' access was removed, with an additional 14 users pending removal.

Airport Operations Audit (20-008A), Herrera, Semien	1. Contract management procedures should be enhanced to ensure all contract provisions are met.	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.
--	---	--	--

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
		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. We were unable to follow-up in the 3rd quarter.
		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. We were unable to follow-up in the 3rd quarter.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
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

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status
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
		1.3 We are currently investigating the charge back of the annual rent adjustment for the current agreement effective April 7, 2007.	Pending Review
		1.4 We will notify Servion of the insurance requirement by 3/31/21, with further action taken based upon his response.	Pending Review
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

May 17, 2021

Mr. Jason D. Mallory, Director of Internal Audit
Texas State Technical College
3801 Campus Drive
Waco, Texas 76705

Dear Mr. Mallory,

At your request, I performed an external quality assurance review on the Internal Audit Department of the Texas State Technical College (TSTC). The review included an independent validation of the assertions and conclusions made in the *Internal Quality Assessment Review Report* issued by Ms. Tahlia Pena, Audit Manager, on November 6, 2020.

The primary objective of the review was to provide an opinion on whether the internal auditing program, overseen by you, achieves the basic requirements expected of internal auditing activities at all State of Texas institutions of higher education. Those requirements are set forth in the *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102), the Institute of Internal Auditors' *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*. For purposes of this review, I collectively refer to these as "the *Standards*". In acting as a validator, I am fully independent of TSTC and have the necessary knowledge and skills to undertake this engagement.

Opinion Rating Definitions

The rating system used for expressing an opinion for this review is defined by the *Standards*, and provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

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

Scope and Work Performed

The review was performed in accordance with the State Agency Internal Audit Forum *Peer Review Guidelines* using the *Master Peer Review Program*. The scope included all TSTC internal audit activities from September 2017 through August 2020, and consisted of the following:

- A review of the self-assessment documents,
- Discussions with you,

- Interviews with the Board Chairman (also the former Audit Committee Chair), the former Chairman of the Board, the Chancellor, and members of the TSTC Leadership Team,
- A survey of a sample of managers who recently participated in internal audits;
- A survey of all internal audit staff, including you, and
- A review of the audit working papers for four audit projects completed during the review period.

Results and Opinion

Based upon the self-assessment documents, interviews, survey results, and the review of audit working papers, I concur with the assertions and conclusions stated in the *Quality Assurance Review Self-Assessment Report* dated November 6, 2020 that the internal audit activity at TSTC generally conforms to the *Standards*.

In my opinion, the TSTC Internal Audit Department ***generally conforms*** to the *Standards* for the period under review and no significant opportunities for improvement were observed. This opinion, representing the best possible evaluation, means that there are in place the relevant structures, policies, and procedures, including the processes by which they are applied, that comply with the *Standards* in all material respects.

Key Observations

As required by the *Standards*, TSTC has a well-crafted audit charter that clearly defines the audit function's purpose, authority, and responsibility. The Director and audit staff have unrestricted access to all TSTC personnel, records, and property. Results of a confidential survey of auditees indicate a high degree of confidence in the audit function, with many respondents commenting on the professionalism of the audit team. The Director has full and free access to the Board Chairman, the Audit Committee Chair, and the Chancellor; in fact, the level of accessibility is commendable and noteworthy, as it contributes to an enhanced governance structure at the TSTC.

I would like to express my thanks for the time and assistance given by you and your staff and other representatives of the TSTC during the review.

Sincerely,



Carole M. Fox, CPA
Chief Audit Executive
Texas State University System

Internal Audit Department

Audit Report

Self- Assessment of Quality of Internal Audit (21-008A)
TEXAS STATE TECHNICAL COLLEGE
Internal Audit

November 6, 2020

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

Executive Summary

We completed a self-assessment of our processes and practices to ensure internal audit quality during the period of September 1, 2017, through August 31, 2020. The primary purpose of our review was to offer an opinion on whether Internal Audit achieved the basic requirements expected of internal audit activities at all institutions of higher education supported by the State of Texas. Those requirements are set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the U.S. Government Accountability Office's (GAO) *Generally Accepted Government Auditing Standards*. For purposes of this review, we collectively refer to these as the *Standards*.

The review was conducted in accordance to the State Agency Internal Audit Forum Peer Review Guidelines using the Compliance Standards assessment. The assessment focuses on numerous procedures we have implemented to ensure standards are met related to ethical behavior, independence, due professional care, and quality. It also addresses management practices within IA, the nature of work performed, and various performance and reporting standards. We reviewed the Internal Audit Charter, IA policies and procedures, and annual confirmations to the Audit Committee regarding IA's independence, review of the adequacy of the Internal Audit Charter and on our quality control program.

We feel IA generally conformed to requirements set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the IIA's *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the GAO's *Generally Accepted Government Auditing Standards* for the period we reviewed.

Introduction

Our self-assessment is required by both the Texas Internal Auditing Act and the IIA's *Standard 1311-Internal Assessments*. Our self-assessment documentation and conclusion on compliance will be validated by an external peer reviewer to ensure our self-assessment is appropriate, and to assist IA with maintaining the quality that is required.

Objectives

The purpose of this self-assessment was to verify Internal Audit at TSTC generally conformed to the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the IIA's *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the GAO's *Generally Accepted Government Auditing Standards* for the period under review.

Scope & Methodology

The scope of the review included all internal audit processes in place at TSTC from the period of September 1, 2017, through August 31, 2020. We utilized the Peer Review Manual developed by the State Agency Internal Audit Forum dated May 2017 to form the basis of our self-assessment. That manual incorporates requirements from the Texas Internal Auditing Act, the IIA's *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the GAO's *Generally Accepted Government Auditing Standards*.

General Observations

IA has established policies and procedures and an Audit Charter that are reviewed annually as part of the quality control process. The Charter is also presented to the Audit Committee annually for their review, with documentation of the review being maintained. IA staff also sign a form annually, acknowledging receiving the IA policies and procedures manual and acknowledging the Procedures on Independence; confirmation of the department's independence is also sent to the Audit Committee. Confirmation of IA's program of quality control is also provided to the Audit Committee annually. IA reports administratively to the Chancellor and functionally to the Board of Regents, as required by the *Standards*, and meets with both at least on a quarterly basis, with audit correspondence or ad-hoc discussions taking place more frequently. IA has a formalized audit plan and risk assessment process, in which input is obtained from both IA, management, executive management, and the Board of Regents. In addition, IA has a formal internal quality assessment process which requires 40 hours of continuing professional education annually, performing internal self-assessments, having a standardized workpaper review process, and conducting post-audit surveys.

Summary of Findings

No findings noted.

Opinion

Based on the audit work performed, IA generally conformed to requirements set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the IIA's *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the GAO's *Generally Accepted Government Auditing Standards* for the period we reviewed.

Submitted by:



Tahlia Pena

11/6/20

Date

Internal Audit Department

Audit Report

Faculty Credentials Audit (21-018A)
TEXAS STATE TECHNICAL COLLEGE
Quality Management – Student Learning

May 20, 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

In fiscal year 2020, the College underwent a reaffirmation review by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). During this review, the College was cited for non-compliance to rule 6.2.a, which states, “For each of its educational programs the institution justifies and documents the qualifications of its faculty members.” In response to this finding, management requested an internal audit of its faculty credentialing processes to ensure they are appropriate.

The primary objective of this audit was to verify appropriate controls have been established and implemented to ensure faculty continuously meet the qualifications for the courses they teach. We also scrutinized a sample of recently hired faculty and faculty that have been employed for several years to verify their documented credentials were appropriate for the courses they taught in the Spring Semester 2021.

To accomplish our objectives, we verified a sample of instructors had the appropriate documentation on file to support their qualifications to teach the courses they are assigned. For this same sample, we also reviewed the documentation and the processes the Student Learning Division relies upon to ensure compliance. Our sample was structured to include each campus, and a diverse mix of instructional programs and award types.

We determined that processes have been significantly improved since the reaffirmation review to ensure faculty are not only qualified to teach the courses they are assigned, but also that documentation is readily available for inspection to prove credentials. The most significant improvements were seen in recently hired faculty. We noted, however, improvement is still ongoing in implementing the processes for the faculty hired several years ago. Once fully implemented, there supporting documentation and periodic self-audits will provide better assurances that all faculty are qualified to teach the courses they are assigned.

Introduction

All full-time and part-time faculty members at TSTC must meet the credential requirements of the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), as outlined in *The Principles of Accreditation: Foundations for Quality Enhancement*, as well as the minimum qualification requirements of the Texas Higher Education Coordinating Board (THECB), as outlined in the most current edition of the *Guidelines for Instructional Programs in Workforce Education* (GIPWE). Degrees and graduate credit hours earned in the United States by all TSTC faculty, whether full or part-time must be earned at an institution accredited by an accreditor recognized by the THECB. The following are the requirements for faculty on a course level:

Course Level	Required Credentials
Associate Degree courses designed for transfer to a baccalaureate degree	Faculty teaching general education credit courses at the undergraduate level or associate degree courses designed for transfer to a baccalaureate degree must have a doctoral or master's degree in the teaching discipline, or a master's degree with a concentration in the teaching discipline (a minimum of 18 graduate semester hours in the teaching discipline).
Associate Degree courses <u>not</u> designed for transfer to a baccalaureate degree	Faculty teaching associate degree courses not designed for transfer to a baccalaureate degree must have a bachelor's degree in the teaching discipline, or an associate's degree and demonstrated competency in the teaching discipline. Exceptional cases of professional experience or credentialing may be considered in lieu of the above requirements.
Certificate Level Course	Faculty teaching credit courses in professional, occupational, and technical areas that are components of certificate-level programs of study or non-degree diplomas must have specific specialized training in their teaching field and demonstrated competencies in the teaching discipline. Associate degrees in the teaching field or related area are a preferred credential. Exceptional cases of professional experience or credentialing in lieu of the above requirements may be considered on an individual basis by the Chief Academic Officer or designee.
Basic Computation and Communications Skills Support Courses	Faculty members who teach support courses in basic computation and communication skills in associate degree and non-degree occupational certificate programs must have a baccalaureate degree and should have work experience which helps them relate these skills to technical areas or teaching experience in a discipline related to their assignments. Exceptional cases of professional experience or credentialing in lieu of the above requirements may be considered on an individual basis by the Chief Academic Officer or designee.
Developmental Courses	Faculty members who teach in developmental programs must have a baccalaureate degree in a discipline related to their teaching assignment and have either teaching experience in a discipline related to their assignment or graduate training in developmental education. Exceptional cases of professional experience or credentialing in lieu of the above requirements may be considered on an individual basis by the Chief Academic Officer or designee.

The Quality Management (QM) team within the Student Learning Division facilitates the faculty credentialing process. The QM team is under the leadership of the Senior VP Quality Management. In March 2020, a Faculty Credentialing Specialist was hired to manage the faculty credentialing process. The QM team has been primarily focused on implementing the process for newly hired

faculty, with plans to rapidly implemented the process for established faculty. Part of the implementation process includes training everyone involved in the hiring of faculty.

QM responsibilities extend to all campuses and instructional programs. It requires coordination with the hiring managers, recruiters, Human Resources, and leadership within the Student Learning Division. QM maintains all documentation related to faculty credentials, which is used to establish compliance to SACSCOC rules and College Policy.

Objectives

The objectives of the audit were to:

- Verify appropriate controls and processes have been established and implemented to ensure faculty continuously meet the qualifications for the courses they teach each semester.
- Verify the documented credentials for a sample of faculty who were recently hired and a sample of faculty who have been employed since 2018 to verify their qualifications were appropriate for the courses they taught in the Spring Semester 2021.

Scope & Methodology

The scope of the audit included all instructors hired between September 2018 and February 2021, the courses they were assigned to teach during the Spring 2021 semester, and all documentation related to the credentialing process on file. To accomplish our objectives, we documented key internal controls relied upon to ensure faculty are properly credentialed, and inspected all relevant documentation, including descriptions of courses taught by each instructor we tested. We utilized the SACSCOC's Resource Manual for the Principles of Accreditation, Section 6, Faculty, and SOS ES 1.11 Faculty Credentials as the basis for this audit.

General Observations

The mission of the QM team states that the "QM department monitors, controls, assesses, and improves Student Learning operational processes leading to demonstrated evidence of improvement in areas of unit responsibility." The focus on improvement of the faculty credentialing process was evident throughout the audit. We noted a significant improvement in the application of the standards since the revised credentialing process has been implemented. In addition to training provided by the QM team, they have also established a portal site. The portal site contains information about the credentialing process, contains links to all credentialing forms, and lists supporting documentation that should be obtained during the process.

The QM team has also developed an alternative credentialing process for exceptional cases where professional experience takes the place of academic requirements. The alternative credentialing process is tailored to each instructional program, which requires detailed explanations and evidence of a candidate's qualifications to teach each course within a program.

Summary of Findings

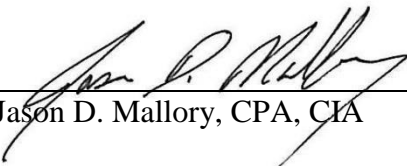
While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.

Opinion

Based on the audit work performed, we determined that QM within the Student Learning Division has significantly improved the design of the controls and processes relied upon to ensure all faculty are qualified to teach each course they are assigned. However, these controls have not yet been fully implemented. This audit occurred while that implementation was ongoing. We identified documentation that is still missing, in some instances, to include credentialing forms and other source documentation, such as transcripts and resumes. We encourage the QM team to continue with their efforts to fully implement the controls and processes that will ensure all faculty are properly qualified for the courses they teach each semester.

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

May 20, 2021
Date

AUDIT FINDING DETAIL

Finding #1: While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.

Criterion: We tested two samples of instructors: new instructors hired between September 2020 and February 2021, and ongoing instructors hired between September 2018 and August 2020. For both groups, we included instructors from all campuses who taught a variety of courses within different instructional programs and awards. Our testing included verifying an appropriately completed and signed faculty credentialing forms was on file to document QM's review of qualifications. The information documented on those forms had to be supported by source documentation also on file, such as transcripts, work history, resumes, and verification of such. Additionally, we compared the documented credentials of the instructors in light of the courses they taught to the requirements set forth by SACSCOC and College policy.

We found the following exceptions:

- We identified some instructor credentialing files that are still missing a signed Faculty Credentialing Verification form and/or a Justification for Alternative Credentialing form. These forms are used to document the validation of qualifications. Some forms were in file, but were missing one or more required signature(s). This lack of signatures prevented us from confirming that the credentialing process was completed prior to hiring the instructor.
- Some instructors' credentialing files do not include all required supporting documentation. This documentation includes transcripts, resumes, and copies of professional licenses and/or certifications. Due to the lack of supporting documentation we were unable to validate whether these instructors met the requirements set by SACSCOC and College policy. This was the primary issue identified in the reaffirmation process.
- We identified a small number of instructors teaching courses without any documented approval to teach those courses. And, we identified some who did not appear to hold the proper credentials. We concede this may simply be an issue related to not having complete documentation on file.
- We noted resumes accepted as evidence of prior work history and professional experience. But, we found some where there was not documented evidence that a verification of the information presented on the resume was performed. Since resumes are self-reported information, we feel that the information is easily misstated and should be verified.

It is important to note the credentialing process we audited was put in place in November 2020, and began with instructors hired since September 2020. The process for monitoring qualifications of instructors hired before that time was being implemented at the time of this audit. Most of the exceptions noted above relate to the latter.

Consequences: Potential loss of SACSCOC accreditation due to lack of compliance.

Possible Solutions: We recommend obtaining all missing credentialing forms and supporting documentation to ensure credentialing files are complete. Additionally, we recommend self-reported information be verified, and a process be put in place to monitor the credentialing files for all instructors.

Management Response

Management of the QM Department agrees with the finding made in the above described audit: “While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.” By completing the following four strategic steps, noted deficiencies within the context of the finding will be fully addressed and rectified by May of 2022.

The first step will entail conversion of faculty (active and inactive) documentation in hard copy to a digital file repository. This project currently underway, should yield conversion of active files by June 15, 2021, and for inactive files by July 15, 2021.

The next step encompasses the implantation of SPOL (Strategic Planning Online) by December 2021. SPOL is a comprehensive, integrated system that supports institutional effectiveness, specifically strategic planning, outcomes assessment (i.e. including student learning outcomes), accreditation compliance and reporting, budgeting, and faculty credentialing. SPOL will represent TSTCs repository for all faculty files and will serve to streamline documentation archiving and accessibility processes – strengthening TSTCs credentialing infrastructure and ensuring SACSCOC readiness.

Steps three and four demarcate two distinct self-audits of faculty credentialing files: those prior to the Faculty Credentialing Specialist hire date (March 1, 2020), and those hired after said date for period ending May 31, 2021. The first audit should be completed by May 31, 2022 and the second by December 1, 2021. It is important to note, periodic self-auditing will commence after December 1, 2021 and will become a means for sustaining continuous improvement of the faculty credentialing process.

It is understood that the Tyler Burch, Faculty Credentialing Specialist, will be responsible for the execution of the stated corrective action plan. Dr. John E. DeLeon, Sr. VPSL QM, will provide continued guidance and warranted focused intervention.

Internal Audit Department

Audit Report

Audit of HEERF Grant as part of CARES ACT (21-006A) **TEXAS STATE TECHNICAL COLLEGE**

July 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 Higher Education Emergency Relief Fund (HEERF) grant received from the Department of Education (ED) as a result of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act provided \$14 billion in emergency aid to the Office of Postsecondary Education to distribute to institutions of higher education. In April 2020, the College was awarded \$9,965,155, of which \$4,982,578 was allocated for students and the remaining \$4,982,577 for the institution. In this audit, we refer to this money as CARES 1. The College also received the following additional monies:

- \$621,504 CARES Act grant from ED due to being a Minority Serving Institution.
- \$512,517 Governor's Emergency Education Relief grant.
- \$300,000 Texas Reskilling Support Application grant from the Texas Higher Education Coordinating Board.
- Approximately \$21.3 million in a CARES 2 installment.
- \$37.6 million from the American Recovery Plan.

The scope of this audit *only* included the \$9,965,155 received in April 2020 for CARES 1. Future audits are planned for the other grants and awards.

The primary objective of this audit was to ensure the awarding, disbursement, timing, and reporting of the CARES 1 funds complied to ED – DFDA 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act and other specific rules and available guidance. We performed different tests based upon whether the funds were earmarked for student or institutional use. We also verified the processes and internal controls relied upon in the awarding, disbursing, timing and reporting to ensure compliance will be achieved going forward on the additional funds previously detailed. We accomplished our objectives by testing a sample of awards made to students in the Spring, Summer, and Fall 2020 terms. We also tested a sample of expenditures made by the College using the funds in that same time period through March 2021.

We determined the use of CARES 1 funds generally complied with applicable rules. We found isolated instances of non-compliance, mostly in the student portion of the awards, that are detailed in Finding #1. We would not characterize any of these as significant non-compliance matters. Management was immediately made aware of the exceptions, and took appropriate action to correct them. We also identified specific controls that we feel should be enhanced to ensure future awards are compliant. Improvements will also help reduce reputational risk. Those are discussed in Finding #2.

Introduction

The objective of the HEERF grant was to assist institutions of higher education with preventing, preparing for, and responding to the Coronavirus. This money was intended to assist both students and the College.

Student Portion

To qualify for assistance, students had to generally qualify to receive federal financial aid and demonstrate a need related to the disruption of campus operations due to the Coronavirus. These included eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care. There were no methods prescribed by regulatory guidance for verifying whether requests were legitimate. To qualify for a disbursement, a student had to be a U.S. citizen, be enrolled or accepted into a degree or certificate program, not be in default of student loans, be registered for selective service, and have a valid social security number. The College developed and documented a plan to identify students' needs to help distribute the funds. This distribution plan required students to apply through the College's website stating the reason they needed assistance, with Advocacy and Resource Center (ARC) representatives within Retention Services evaluating each application and contacting the students. ARC representatives made the final determination on the amount of each award based on those applications and discussions. The Financial Aid and Student Accounting Departments processed and disbursed the approved awards, respectively. Students were able to apply for, and receive multiple awards. The awards were initially limited to \$3,000 per student, but subsequently increased to \$6,000. The amounts requested by the students were generally the same amounts awarded. Proof of need was limited to statements made on the applications and discussions held with the ARC representatives.

As of May 31, 2021, \$4,979,878 of the allocated \$4,982,578 was disbursed. These disbursements were made between April and October 2020. 3,292 students received an average award of \$1,513. The following table details the amounts awarded by each campus:

Campus	Amount	% of Total	# of Students	% of Total Students
Waco	\$1,308,782	26.28%	851	25.85%
EWCHEC	\$57,615	1.16%	39	1.18%
Harlingen	\$2,371,043	47.61%	1,665	50.58%
Fort Bend	\$270,118	5.42%	149	4.53%
Sweetwater	\$269,510	5.41%	151	4.59%
Abilene	\$318,235	6.39%	171	5.19%
Brownwood	\$69,715	1.40%	33	1.00%
Breckenridge	\$48,220	0.97%	27	0.82%
Marshall	\$201,090	4.04%	162	4.92%
North Texas	\$65,550	1.32%	44	1.34%
Total	\$4,979,878	100%	3,292	100%

Institutional Portion

Like the student portion, a documented plan for distributing the institutional earmarked funds was put in place. Those funds could cover any costs associated with significant changes to the delivery of instruction as a result of the Coronavirus. Payments to contractors for the provision of pre-enrollment recruitment activities, endowments, and or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship were not allowable. The Office of

Sponsored Programs and Procurement helped ensure the use of these funds were both authorized and allowable.

As of May 31, 2021, all of the \$4,982,577 of institutional funds were disbursed. The majority of funds were used by the Instructional division and Physical Plant to purchase masks, disinfectant supplies, plastic shields, hotspots for employees, additional lab equipment, and in some cases, renovations of labs so students could meet social distancing requirements.

As of the date of this report, the deadline to disburse all CARES 1 funds was extended to May 13, 2022. Internal Audit worked closely with members of Sponsored Programs, Financial Aid, Retention Services, Student Learning and Procurement to perform this audit.

Objectives

The primary objective of this audit was to ensure the awarding, disbursement, timing, and reporting of the CARES 1 funds complied to ED – DFDA 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act and other specific rules and available guidance. Internal controls relied upon to ensure compliance were also validated.

Scope & Methodology

The scope of our audit included all student & institutional disbursements in the Spring, Summer and Fall 2020 semesters. For institutional funds, our scope extended through March 2021. To accomplish our objectives, we selected a sample of student and institutional awards and verified the uses were appropriate. For students we validated they were qualified to apply for federal financial aid, and the amounts were approved. We reviewed approval controls, reporting requirements, and timeliness of all disbursements. We also reconciled data, and analyzed it to identify suspicious or unusual trends. We utilized the following guidance as our methodology.

- ED – DFDA 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act
- HEERF FAQ Rollup Document
- ED-2020 – Eligibility of Students at Institutions of Higher Education for funds Under the CARES Act
- NASFAA’s COVID-19 Reference Page
- Section 484 of the Higher Education Act

General Observations

Several Departments quickly coordinated to establish rules to appropriately disburse the almost \$10 million in unplanned CARES 1 funds during a period of unprecedented change to daily operations. When the funds first became available, there was limited guidance on how to manage and disburse them properly. Requirements became more specific as more funds were made available, but the coordinated efforts of staff allowed the first round of funds to generally comply. The funds created opportunities to reduce the financial impact on the College and its students caused by the pandemic. Ironically, those same funds created unforeseen costs and compliance

burdens on staff to ensure compliance requirements were met and the funds were disbursed quickly. Staff should be commended for quickly adapting to meet those challenges.

Management carefully considered the best way to utilize the institutional funds. A request process was established, with the purpose for a request being scrutinized in light of other requests and the limited guidance that was given. For the student funds, management tried to use the funds in a manner which best assisted students with actual hardships. It was viewed as a retention tool, as well.

Summary of Findings

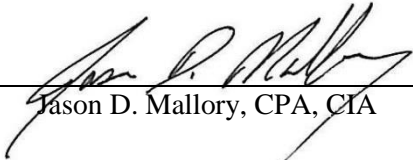
1. We found isolated instances of non-compliance in some student disbursements and reporting requirements.
2. Internal controls need to be improved.

Opinion

Based on the audit work performed, the College complied with ED – DFDA 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act and other guidance associated with the CARES 1 funds. We identified minor and isolated instances of non-compliance that are being resolved. And, we identified opportunities to improve controls for the benefit of future CARES and ARP funds.

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

Submitted by:



 Jason D. Mallory, CPA, CIA

July 6, 2021

 Date

AUDIT FINDING DETAIL

Finding #1: We found isolated instances of non-compliance related to some student disbursements and reporting requirements.

Criterion: We reviewed 75 students who received CARES 1 funds to verify compliance to ED – DFDA 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (Act). We found the following exceptions:

- 2 students received a disbursement that were not U.S. Citizens or Permanent Residents. This is a requirement of Section 484 of the HEA which is a component of the Act.
- 2 students that were enrolled exclusively in online programs. Per the ED's April 21 guidance, students who were enrolled exclusively in online programs as of March 13, 2020, are not eligible.
- For the student aid portion, we found the estimated total number of students eligible to participate in programs under Section 484 in Title IV of the Higher Education Act of 1965 and eligible to receive Emergency Financial Aid Grants under Section 18004(a)(1) of the CARES Act was not posted to the College's website. This information was posted earlier in the year, but is no longer posted.
- One of the Quarterly Budget and Expenditure Reporting under CARES Act Sections 18004(a)(1) Institutional Portion, 18004(a)(2) was not submitted by the deadline. The reports are due no later than 10 days after the end of each calendar quarter; this report was submitted 11 days late.

Consequences: Potential repayment of disbursed funds.

Possible Solutions: Immediately correct the noted non-compliance exceptions.

Management Response

Enrollment Management agrees with the observations made in the audit.

- 2 students did receive disbursements that were not U.S. citizens, which was an oversight on the staff awarding the funds. The funds that were awarded to the students have been replaced with other institutional funds. The Financial Aid Office has examined students awarded between April 2020 and May 10, 2021 to ensure the remaining were eligible citizens. This limitation was changed on May 11, 2021 to allow non-citizens who were enrolled in an institution March 13, 2020 or later to receive these funds.
- 3 students who were enrolled in exclusively online programs were awarded, which was an oversight on the staff awarding the funds. The funds that were awarded to the students have been replaced with other institutional funds. The Financial Aid Office has examined students awarded between April 2020 and December 27, 2020 to ensure the remaining were eligible citizens. This limitation was changed on December 27, 2020 to allow fully online students

who were enrolled in an institution who were enrolled in an institution March 13, 2020 or later to receive these funds.

- During the period of the audit, we acknowledge the estimated total number of students eligible to receive CARES Act was deleted during one of the updates to the website. During the transition to the new TSTC website on June 1, 2021 all CARES Act information was reviewed and updated. We will continue to publish updates to the website in accordance with the regulations which will be monitored by the AVC of Enrollment Management as reports are sent to DOE.
- On federal grants, the standard time period granted for quarterly reporting is 45 calendar days after quarter close. The CARES Act guidance lists the quarterly due date as 10 calendar days after quarter close. For 2 of the 3 previous quarterly reports, the deadlines were universally extended by the Department of Education. It is extremely challenging to make this deadline as a large percentage of purchasing transactions do not post until the 10th of the following month. All these transactions must be researched, evaluated for allowability and categorized for the report. We will endeavor to accelerate our process to provide accurate and timely reports going forward.

AUDIT FINDING DETAIL

Finding #2: Internal controls need to be improved.
--

Criterion: We reviewed 75 students who received CARES 1 assistance to verify the process of reviewing, approving and awarding funds followed the College's documented process. We identified the following exceptions:

- Federal guidelines around the CARES funds became more specific several months after the funds were received and already being disbursed. Management was tasked with implementing a system for awarding and disbursing without specific guidance that was later issued. As a result, processes were altered throughout time to reflect the added guidance. These changes were not always reflected directly in the Emergency Aid Protocol that we used in our testing, which caused confusion. Examples included maximum award amount changing from \$3,000 to \$6,000, some students receiving slightly more than the \$6,000 maximum award, lack of approvals we thought were needed, and the misunderstanding of what documentation was being relied upon to document each award amount and evidence or approval. We did note that internal procedures were more refined once CARES 2 funds became available.
- ARC representatives awarded 6 students amounts more than they requested without documenting their rationale. The over-awards ranged from \$70 - \$1,000.
- 1 student submitted an identical application on 2 different days, with identical awards being approved and made for both. The justification for the repeat award was not documented.

Our most significant internal control observation related to awards made to employees who were also students. We discussed with management the unique reputational risk these awards could subject the College to, and recommended approval, at a minimum, be escalated to higher level of management. During our discussions, consideration was given to the compliance aspects of these awards, as well as to the risks associated with the perception of employees taking classes solely to obtain the funds. We did not identify any regulatory prohibition on these awards. One of our reasons for a heightened sense of risk related to the facts that most employees being awarded were taking 2 or fewer classes, yet already receive significantly reduced tuition.

As we were concluding this audit, we received a report from the State Auditor's Ethics Line with a concern that three employees within the Financial Aid Department received awards. And we received another report alleging other employees were approving awards to their relatives. The reporters relayed their concerns about the appropriateness of these practices. We confirmed that 3 financial aid employees, in fact, have received awards from CARES 1 and CARES 2 funds. One has received a total of \$12,000, one received a total of \$10,500, and another received a total of \$7,600. They met all the requirements, though, to receive the awards.

We identified a total of 38 employee received awards funded through CARES 1 during our audit testing. On average, those awards were \$300 higher than awards made to strictly students. (Note: Student workers were not considered employees in our analysis). These discoveries along with other trends discussed below were the catalysts for the previously aforementioned discussions with management.

We elected to also review employees awarded through CARES 2 funds as a result of the complaints. We found the majority of employees receiving awards (CARES 1 & CARES 2) were concentrated on one campus. This follows the same trend as the total awards. The same ARC representative located on that same campus approved most of the employee awards, and the same 2 Financial Aid employees on that same campus processed the awards. We did note that employee awards dropped from 38 in CARES 1 to 25 in CARES 2, though.

Two-thirds of the employees who received awards took 2 classes or less per semester. Most of the employees who received awards took classes prior to CARES funds being made available, suggesting the classes were not taken solely to qualify for the CARES funds. There were at least 7 employees who began taking classes after the funds were being awarded or resumed taking classes after several years of not attending, calling into question their motives.

Finally, we determined the previously mentioned ARC representative who approved awards to most of the employees also unilaterally awarded a combined \$12,000 in CARES 2 funds and \$3,650 in restricted scholarship funds to her husband and sister. We determined her actions were unethical, and an abuse of the authority she was entrusted with.

Consequences: Inappropriate awarding of funds, and increased reputational and fraud risks.

Possible Solutions: Follow all controls that have been established for the awarding and processing of the funds to ensure segregation is maintained; consider discontinuing awards to employees who also take classes. At a minimum, continue with the added level of approval for employee awards, with documentation of the same. For the employee who awarded funds to her relatives, we recommend her employment be terminated, and a process be implemented requiring applicants to disclose familial relationships with employees. We feel SOS HR 2.1.12 already addresses appropriate requirements for employees to follow, but adding specific protocol in this case ensures expectations are clear. We further recommend the CARES funds that were used in these awards be reclassified to another account.

Management Response

Enrollment Management agrees with the observations made in the audit in regards the need for improvement in the internal controls surrounding CARES Act.

- During the course of awarding and disbursing funds, the internal procedures did not always document changes in a timely manner. We will continue to refine the internal procedures in

the disbursement of CARES Act funds. Since the creation of the first internal procedures for CARES Act we have refined our procedures from a 1 page to a 14 page document. As the federal regulations gain more clarity we will continue to modify our procedures and document the changes. Jackie Adler and Adele Clinton will be tasked with oversight of the awarding procedures and review them on a monthly basis.

- During the process of awarding CARES funds, six students were awarded more than their original request without documentation as to why. We realized that a spreadsheet was not able to keep up with the needed case documentation of the initial request and subsequent review of the case by an ARC coach. In January of 2021 we began utilizing Salesforce as a case management tool for the request form and the follow up documentation of awards. We will continue randomly auditing requests and the case notes to ensure the staff is following our documentation procedures. These audits will be performed weekly with oversight by Adele Clinton.
- Please see the prior bullet.

The CARES Act was defined in such a way that it was meant to disburse money to students who were directly affected by COVID-19. As the 2nd & 3rd release of CARES Funding has occurred, some of the restrictions have been lessened to the point of assisting students who have a financial need regardless if it was COVID-19 related. As we created preliminary protocols, we evaluated the possibility of an employee requesting aid as a student and in reviewing the regulations and FAQ's found no guidance. While the audit findings did not identify any regulatory prohibition against awarding of CARES Act funds to employees who are students, the Enrollment Management department agrees that there is a potential reputational risk.

The employees taking classes have access to all federal benefits including but not limited to, Pell grants, state financial aid, and student loans as would any other student. Upon concerns being raised by the Internal Audit department, the following actions were immediately taken by the Enrollment Management department:

- Implementation of a segregation of duties protocol ensuring the awardee is not within the same college division as the approver.
- Implementation of steps to ensure that an employee who is also a student does not seek aid for conditions existing prior to them becoming a student. We believe these steps will mitigate the perception that employees are becoming students solely for the opportunity to seek aid.
- The employee who was found to have violated the SOS HR 2.1.12 has been terminated. The funds she awarded will be reclassified to institutional funds to ensure no compliance issue exists.
- To further educate staff involved in this process, the Chair of the Conflict of Interest Committee has provided specific training regarding the CARES Act funds, and has reviewed our enhanced procedures.

These additional steps will allow us to comply with the intent of the CARES Act in awarding aid to students and further mitigate our risks. As such, we respectfully recommend that Executive

Leadership and the Board of Regents accept the risk and continue to award employees who are students under the enhanced guidelines.

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

August 2021

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 and/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: July 8, 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 April 1 through June 30, 2021, **44** more required controls were implemented. There was also **1** control identified this quarter that management elected to not implemented, but we determined compensating are in place to limit associated risks. That controls was documented as “risk accepted”.

RESULTS

General Controls

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 1}	Total
April 2021 – June 2021	63	19	0	4	86
January 2021 – March 2021	61	19	3	3	86
Change	+2	0	-3	+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. Finally, they have elected to accept risks with not fully implementing CM-11 related to fully restricting software from being installed by end-users. They feel that compensating controls such as malware, and the ability to restrict specific downloads from the internet assist with mitigating associated risks.

Colleague

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2021 – June 2021	33	11	5	0	49
January 2021 – March 2021	33	11	5	0	49
Change	0	0	0	0	

Perceptive Content

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 2}	Total
April 2021 – June 2021	30	15	3	1	49
January 2021 – March 2021	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

Original Audit: February 25, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2021 – June 2021	46	3	0	0	49
January 2021 – March 2021	36	3	10	0	49
Difference	+10	0	-10	0	

Google Suite

Original Audit: December 10, 2018

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 3}	Total
April 2021 – June 2021	38	9	0	2	49
January 2021 – March 2021	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

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2021 – June 2021	48	1	0	0	49
January 2021 – March 2021	26	1	22	0	49
Difference	+22	0	-22	0	

Informatica Server

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2021 – June 2021	49	0	0	0	49
January 2021 – March 2021	39	0	10	0	49
Difference	+10	0	-10	0	

PrismCore

Original Audit: September 21, 2020

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
April 2021 – June 2021	42	6	0	1	49
January 2021 – March 2021	42	6	0	1	49
Difference	0	0	0	0	

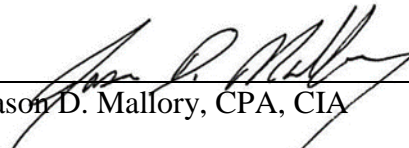
Note 2: AU-5 requires the system to send an alert when an audit log fails. This system does not have that capability.

Informer

Original Audit: April 6, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
April 2021 – June 2021	35	9	5	0	49
January 2021 – March 2021	35	9	5	0	49
Difference	0	0	0	0	

Submitted by:


 Jason D. Mallory, CPA, CIA

July 8, 2021

Date

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



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

An Audit Report on

Financial Processes at Texas State Technical College

April 2021
Report No. 21-017

State Auditor's Office reports are available on the Internet at <http://www.sao.texas.gov/>.



An Audit Report on

Financial Processes at Texas State Technical College

SAO Report No. 21-017
April 2021

Overall Conclusion

Texas State Technical College (College) should strengthen its processes to ensure that it accounts for and disposes of its assets in accordance with Office of the Comptroller of Public Accounts (Comptroller's Office) requirements and College policy. Additionally, the College should strengthen certain controls over its financial system to ensure the reliability of its data. However, the College had processes to ensure that it made payments in accordance with applicable requirements.

Assets. The College did not have adequate controls over its assets and related document retention. Specifically, the College had weaknesses in its processes for the inventory of its assets, the reporting of accurate and complete asset data to the Comptroller's Office, and the disposition of assets.

Expenditures. The College had processes that ensured it paid vendors and made payments for travel-related and procurement card expenses in accordance with applicable requirements. The College also had policies in place that were sufficient to comply with certain requirements.

Information Technology. The College should strengthen its information technology (IT) controls to address significant security risks that could affect the reliability and security of data used for reporting financial information.

Table 1 on the next page presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Background Information

Founded in 1965, Texas State Technical College (College) serves Texas through its 10 campus locations:

- Abilene.
- Breckenridge.
- Brownwood.
- East Williamson County.
- Fort Bend County.
- Harlingen.
- Marshall.
- North Texas.
- Sweetwater.
- Waco.

The College is governed by a nine-member Board of Regents who are appointed by the governor to six year terms.

Source: Texas State Technical College.

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	The College Had Weaknesses in Its Asset Recording and Disposal Processes	Priority
2	The College Had Voucher Payment Policies and Procedures in Place to Ensure That It Complied With Applicable Requirements	Low
3	The College Should Strengthen Its Access Controls and Maintenance Processes to Help Ensure the Reliability of Its Financial Data	High
<p>^a A chapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter is rated Low if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.</p>		

Auditors communicated other, less significant issues separately in writing to College management.

Summary of Management's Response

At the end of Chapters 1 and 3 in this report, auditors made recommendations to address the issues identified during this audit. The College agreed with the recommendations in this report.

Audit Objectives and Scope

The objective of this audit was to determine whether Texas State Technical College has processes and related controls to help ensure it administers financial transactions in accordance with applicable requirements.

The scope of this audit included vendor payments, procurement card payments, travel payments, and asset disposals from September 1, 2018, through August 31, 2020. The scope also included a review of significant internal control components related to the College's financial processes.

Contents

Detailed Results

Chapter 1	
The College Had Weaknesses in Its Asset Recording and Disposal Processes.....	1
Chapter 2	
The College Had Voucher Payment Policies and Procedures in Place to Ensure That It Complied With Applicable Requirements.....	7
Chapter 3	
The College Should Strengthen Its Access Controls and Maintenance Processes to Help Ensure the Reliability of Its Financial Data	8

Appendices

Appendix 1	
Objective, Scope, and Methodology	12
Appendix 2	
Issue Rating Classifications and Descriptions.....	16
Appendix 3	
Internal Control Components	17

Detailed Results

Chapter 1

The College Had Weaknesses in Its Asset Recording and Disposal Processes

Chapter 1
Rating:
Priority ¹

The College's processes were not adequate to ensure that (1) assets were inventoried in compliance with Office of the Comptroller of Public Accounts (Comptroller's Office) requirements, (2) all disposed assets were recorded and accurate in the State Property Accounting system (SPA), and (3) assets were disposed of in compliance with Comptroller's Office requirements or College policy. Additionally, the College's existing process did not ensure that it maintained support for all disposed assets.

As of September 2020, the College recorded 25,730 active assets in SPA with acquisition costs totaling \$445,722,438. From September 1, 2018, through August 31, 2020, the College recorded 3,829 assets as disposed. Auditors selected a random sample of 25 disposed assets and the entire population of 22 assets reported as stolen for testing.

Asset Inventory

The College's inventory verification processes was not adequate to ensure that all assets were identified and accounted for. Specifically:

- **Donated assets.** The College's process was not adequate to ensure that donated assets were added to its inventory and SPA. When assets are received by the College, the assets are required by the College's policies and procedures to be tagged and recorded in SPA. The College's process, which is not documented, gives Central Receiving primary responsibility for the initial recording, tagging, and distribution of assets to the appropriate custodian. However, donated equipment is sometimes received directly by the departments rather than Central Receiving. The College's process relies on the receiving department notifying Central Receiving or the asset being identified during annual inventory. During testing, auditors noted that an asset stolen from the College had been donated directly to a department. This asset was not tagged or reported as received to Central Receiving through multiple annual inventories; therefore, when the asset was reported missing by an employee, the College did not have the item on its asset inventory list.

¹ The risk related to the issues discussed in Chapter 1 is rated as Priority because they present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is essential to address the noted concern and reduce risks to the audited entity.

- **Auctioned assets.** Additionally, the College's process was not adequate to ensure that it accounted for auctioned assets. One tested asset was initially reported to law enforcement as missing after an employee left the College. Upon investigation, the police report indicated that the investigating officer determined that the asset had been auctioned without documenting the inventory or serial number. The police report was dated November 2017, while the College asserted that the asset had been auctioned more than six months earlier. According to the College, Central Receiving had not updated the College's asset management system when it received the asset or when the asset was auctioned. While the College was able to provide a receipt for the auction, auditors were not able to determine if it was the same asset reported as missing.

Requiring that all assets, including donated items, are inventoried and entered into SPA when received could help ensure that each asset is identified, accounted for, and recorded by the College in accordance with Comptroller's Office requirements.

Asset Disposals

Auditors analyzed the disposed assets reported in the College's financial system and SPA from September 1, 2018, through August 31, 2020, and determined that the College did not ensure that all disposed assets were reported in SPA. According to the College, it does not perform a reconciliation between its financial record system and SPA for all assets. As a result, a total of 101 disposed assets were not reported to SPA as required. Auditors included those assets with the assets reported in SPA and identified a population of 3,829 assets the College disposed from September 1, 2018, through August 31, 2020.

In addition, the College did not always maintain supporting documentation, dispose of assets, and notify law enforcement in accordance with Comptroller's Office rules. Specifically:

- The College did not consistently ensure that support required for the specific asset disposals was maintained. As a result, compliance with applicable rules could not be determined for 7 (28 percent) of 25 disposed assets tested because they were missing documentation to support the method of disposal. Additionally, for 4 (18 percent) of the 22 stolen assets tested, the investigation forms required by the Comptroller's Office for missing or stolen assets could not be located. Maintaining the investigation forms as required documents that an investigation was conducted and a determination was made whether the asset being stolen was the result of employee negligence.

- The College did not consistently ensure that it recorded the final disposition of assets in SPA in accordance with Comptroller's Office requirements. Specifically, the final dispositions of 3 (12 percent) of 25 assets tested were not recorded in SPA 2 calendar years from the date the asset went missing. For example, the College deleted a missing asset from SPA at the end of the second fiscal year after the asset was reported as missing, rather than two calendar years from the date reported missing, as required by the Comptroller's Office. Supporting documentation showed that a disposed asset tested was recorded as missing in SPA on March 21, 2018. The asset should have been disposed of after the conclusion of an investigation and no later than March 21, 2020, using the missing date recorded in SPA. However, the final disposal in SPA occurred on August 31, 2020.
- For 3 (14 percent) of 22 assets reported as stolen, law enforcement was not notified within 48 hours of the College determining that the assets had been stolen, as required by the College and the Comptroller's Office. In this instance, an employee received 15 donated computers, which were kept next to the employee's desk for reimaging. Two weeks later, the employee noticed 3 of the computers were missing; however, these assets were reported to law enforcement over 2 months after they were identified as stolen. Not reporting stolen assets to law enforcement in a timely manner could hinder the investigation and potential recovery of the assets.

Employee Negligence

The College did not consistently determine employee negligence when investigating stolen assets. The Comptroller's Office and the College require that an employee entrusted with property exercises, at a minimum, reasonable care for its safekeeping. Reasonable care means that steps have been taken to ensure:

- Acceptable upkeep and maintenance of the asset.
- Security of the asset.
- Ability to locate the asset at all times.
- Retention of documentation specifying the person responsible for the asset.

The determination of employee negligence when an asset is stolen is made by the employee's supervisor. Upon determination that the employee was negligent, the supervisor decides if the employee is required to reimburse the College. This leads to inconsistency, because the College does not have

procedures for determining negligence and responsibility for reimbursement. For example, during testing auditors identified 2 (9 percent) of 22 assets, a tablet computer and a self-defense device, that were reported stolen due to employee negligence, but only one employee was required to reimburse the College.

Additionally, 7 (32 percent) of 22 assets tested had been stolen after being left unattended in employee vehicles. Only one of those assets was determined by the College to have been stolen due to employee negligence, and as previously noted, this employee was not required to reimburse the College.

Having a documented process for the determination of employee negligence and responsibility for reimbursement could help ensure the determination is made consistently.

Recommendations

To strengthen its processes for tracking and disposing of assets, the College should:

- Develop and implement policies and procedures with detailed steps for asset management, including:
 - ♦ Performing asset disposals and recording asset disposals in SPA.
 - ♦ Maintaining accurate asset disposal information in SPA.
 - ♦ Maintaining appropriate documentation for disposed assets.
 - ♦ Reporting stolen assets to law enforcement within 48 hours.
 - ♦ Consistently determining employee negligence and whether an employee exercised reasonable care of stolen assets.
 - ♦ Reconciling its financial system of record with SPA for all assets.
- Revise its asset inventory process to ensure all assets, including donated items, are inventoried.

Management's Response

Management of Texas State Technical College (TSTC) agrees with the observations made in the audit. Weaknesses in asset recording and disposal processes are the result of system limitations and manual practices, which have been ongoing discussions and concerns at TSTC for several years. While TSTC has improved control over assets and their recordation, deficiencies recognized in the past were primary considerations when the College decided in fiscal year 2020 to replace Colleague with Workday. A comprehensive implementation process is currently underway, with asset control being a significant part of that project. TSTC expects the Finance portion of Workday (which includes asset management functionality) to be implemented in early calendar year 2022.

While Workday is still being implemented, we are taking the following actions to address the risks cited in this audit:

- *TSTC will not report to SPA after August 31, 2021, and as a result, there will be nothing to reconcile after we discontinue use.*
- *Donated assets have been recognized in the past as tripping points because they did not always go through a central office for approval and recordation. The specific issue cited in this audit is one example of the realized risks if the College is not informed of such donations. In recent years, an expectation has been communicated to all employees that all donations must be approved and accepted only by the Foundation. That group then ensures recordation. TSTC will continue to rely upon periodic communication to raise awareness of required procedures related to donated assets, but will also work to implement a comprehensive, annual fixed asset training for all employees by 12/31/2021, that addresses donated assets, as well as other asset management topics.*
- *The College has an approved disposal process in which all disposals are required to run through a centralized office. All disposals are made through an approved auction vendor, or transferred to another campus or state agency. The issue cited in the audit appears to most likely be related to delays in updating Colleague, which has been a noted concern in the past because of how cumbersome such updates are with Colleague. We feel the implementation of Workday will improve the timeliness and accuracy of tracking all assets, as well as the documentation maintenance. As noted earlier, by 12/31/2021, a comprehensive, annual asset management training will be conducted which will include communication of guidelines on processing documentation related to*

asset disposals, as well as processes for notifications to law enforcement and others related to missing, lost or stolen assets.

- *Concerning the determination of employee negligence, by August 31, 2021, a committee comprised of select individuals from asset accounting, inventory control and other operational divisions will be formed to review cases and make recommendations on lost or stolen assets. Using uniform criteria, the committee will consider the evidence and circumstances of each case to recommend to the supervising manager a proposed course of action ranging from “no action recommended”, to recommendations for reimbursement and/or disciplinary measures due to employee negligence. In the event the recommendation is not followed by the manager, the committee will notify the respective Vice Chancellor for final consideration of the case.*

The Vice President of Procurement Services and Associate Vice Chancellor of Finance will be responsible for ensuring and validating these actions are implemented.

The College Had Voucher Payment Policies and Procedures in Place to Ensure That It Complied With Applicable Requirements

**Chapter 2
Rating:**
Low ²

The College established procedures to ensure that it paid vouchers in compliance with applicable rules, obtained appropriate approvals, made allowable purchases, and generally recorded expenditures accurately.

Additionally, the College had documented policies and procedures in place that were adequate to ensure compliance with applicable standards related to purchasing authority.

From September 1, 2018, through August 31, 2020, the College paid vouchers totaling \$162,083,300. Auditors tested 103 vouchers that totaled \$1,430,186 from three types of purchases: (1) 36 vendor payments totaling \$1,074,942; (2) 35 travel purchases totaling \$145,216; and (3) 32 procurement card purchases totaling \$210,028. These transactions were:

- Supported by source documentation.
- Appropriately categorized.
- Approved by College staff according to its policies.
- Allowable.

Additionally, the College's policies and procedures complied with the standards of Texas Education Code, Section 51.9337, which require establishing a code of ethics, a contract management handbook, contract delegation guidelines, training for officers and employees involved in the contracting process, policies and procedures governing conflicts of interest, and internal audit protocols.

² The risk related to the issues discussed in Chapter 2 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

The College Should Strengthen Its Access Controls and Maintenance Processes to Help Ensure the Reliability of Its Financial Data

**Chapter 3
Rating:
High ³**

The College should strengthen its information technology (IT) controls to address significant security risks that could affect the reliability and security of data used for reporting financial information.

Passwords

Auditors identified certain weaknesses related to application password settings and lock-out duration. To minimize security risks, auditors communicated details about these issues directly to the College's management in writing.

User Access

While the College had processes in place to complete periodic reviews of user access to its IT resources, as required by Title 1, Texas Administrative Code, Section 202.72, those processes were not adequate to ensure compliance with that statute. As a result, access to the College's financial system was not restricted to appropriate personnel, and some users had inappropriate access. Specifically, three former employees did not have their access removed upon leaving employment at the College. Those former employees had not been employed by the College for 13 to 20 months. Additionally, 10 employees had inappropriate levels of access that in some cases would allow them to initiate all of the steps of the payment process, including check printing. However, the College had appropriately restricted access to the Uniform Statewide Accounting System. Specifically, only current College employees had active accounts, administrative roles were restricted to appropriate personnel, and duties were appropriately segregated.

Implementing effective user access controls helps to ensure that access to critical information systems is appropriately restricted to minimize the risk of unauthorized changes to data.

Change Management

The College had a change management process in place to help ensure that changes to its financial system and the data within the system were appropriately tested, approved, and documented. However, the controls in

³ The risk related to the issues discussed in Chapter 3 is rated as High because they present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

that process were not sufficient to provide reasonable assurance that changes to the College's financial system were properly implemented, as required by the Department of Information Resources' (DIR) *Security Control Standards Catalog* and the College's policies. Auditors tested 15 custom changes and 10 vendor patch changes and determined that changes were not consistently documented, tested, validated, approved, and implemented in compliance with College policy and DIR requirements. Additionally, the College's processes did not ensure that supporting documentation was consistently maintained, as required by the College policy and DIR. As a result, auditors were not able to determine if some custom application changes were migrated by someone other than the developer and whether changes were tested prior to implementation.

Specifically, out of 15 custom changes and 10 vendor patch changes tested:

- Five (33 percent) of the custom changes and 5 (50 percent) of the vendor patch changes did not have supporting documentation to indicate that they were tested and validated prior to implementation.
- Three (30 percent) of the vendor patch changes were put into production without supporting documentation to indicate the date of the change, the nature of the change, and the change's success or failure.
- None of the custom changes and vendor patch changes had supporting documentation to indicate approval prior to being put into production.
- Eleven (73 percent) of the custom changes and 3 (30 percent) of the vendor patch changes did not have supporting documentation to indicate that the changes were implemented by someone other than the developer.

Implementing appropriate change management controls would help enforce compliance with the change management process and help ensure that changes to information resources do not alter data or promote weaknesses that could affect data.

IT Policies and Procedures

The College's information systems security policies and procedures addressed significant IT functions, including password requirements, user access, and change management. However, the policies and procedures related to password requirements were not always consistent with DIR's *Security Control Standards Catalog* as required by Title 1, Texas Administrative Code, Chapter 202.

For example, the College's IT security policies did not establish the number of failed log-in attempts that may take place before an account is locked out and did not establish the minimum lock-out duration. DIR's *Security Control Standards Catalog* requirement of a maximum of 10 failed log-in attempts and a minimum lock-out duration of 15 minutes was required to be implemented by February 2017.

Recommendations

The College should review and update its IT security policies to ensure compliance with the requirements in Title 1, Texas Administrative Code, Chapter 202, and DIR's *Security Control Standards Catalog*. Specifically, the College should:

- Strengthen password length and account lock-out duration controls.
- Strengthen reviews of user access for its financial system.
- Assign user access rights appropriately based on users' job responsibilities, including reviewing and updating those rights when employees change positions or leave the College.
- Implement a segregation of duties to ensure that (1) changes to its IT systems comply with its change management policy and (2) user access rights are appropriately restricted.
- Maintain supporting documentation for changes to its IT systems, in accordance with its change management policy.
- Strengthen procedures to ensure that changes to its IT system are tested, validated, and appropriately approved before implementation, in accordance with its change management policy.

Management's Response

Management of Texas State Technical College agrees that control and maintenance processes within Colleague need to be improved to better ensure the integrity and reliability of the College's financial data. The control failures cited in this audit were primary considerations when the College decided to replace Colleague with Workday in fiscal year 2020. A comprehensive implementation process is currently underway, with access and security being key parts of that project. We expect the financial related portion of Workday to be implemented in early calendar 2022.

In the interim, we are taking the following actions to address the risks related to Colleague.

- *The College will strengthen password length and lock-out duration controls to address the issues communicated in writing.*
- *Regarding access:*
 - ♦ *When someone terminates employment, IT is notified by HR through the clearing process. To sign on to Colleague, the 3 users cited in this audit would have to have access to the internal network or the VPN. The 3 former employees cited in this audit did not have access to either, therefore, access to Colleague was unlikely. Nevertheless, we recognize the need to remove access in a more timely manner to all resources to further reduce the risk of inappropriate access. By May 1st, 2021, current user credentials in Colleague will be compared to a current employee list, with all exceptions being immediately corrected.*
 - ♦ *Conflicting access has been an ongoing challenge with Colleague because of the manner in which the system assigns access. Workday will make assigning and managing access easier to eliminate such issues. By May 1st, 2021, the specific access issues cited in this audit will be corrected.*
- *For programmatic changes to Colleague, to include security patches, there is a documented change management process that is expected. Effective immediately, any change to Colleague, will be documented, tested in the test environment, and properly approved prior to being rolled into production. This same process will be in place for Workday. To ensure compliance, IT Compliance will select a sample every month of changes and verify the established change management process has been implemented.*

The Executive Vice President of OIT and Executive Director of OIT Compliance will be responsible for ensuring and validating these actions are implemented.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether Texas State Technical College has processes and related controls to help ensure it administers financial transactions in accordance with applicable requirements.

Scope

The scope of this audit included vendor payments, procurement card payments, travel payments, and asset disposals from September 1, 2018, through August 31, 2020. The scope also included a review of significant internal control components related to the College's financial processes. (see Appendix 3 for more information about internal control components).

Methodology

The audit methodology included reviewing relevant criteria; interviewing College staff; testing and analyzing vendor payments, travel expense reports, procurement card purchases, and asset disposals. In addition, auditors performed a review of selected general and application controls over the College's accounting and asset management systems.

Data Reliability and Completeness

To assess the reliability of the data sets extracted from the College's financial system of record, Colleague, as they related to vendor payments, travel expenditures, and procurement card purchases, auditors (1) observed the College staff extract the data sets, (2) reviewed queries, and (3) analyzed the data sets and queries for reasonableness and completeness.

To assess the reliability of the data sets downloaded from Citi Bank, auditors observed College staff download the data sets and reconciled them with the procurement card data extracted from the College's system of record.

To assess the reliability of the data sets extracted from the College's IT ticketing system as they relate to custom changes, auditors reviewed the report filters and the resulting output.

Auditors determined that those data sets were sufficiently reliable for the purposes of this audit.

Auditors also assessed the reliability of vendor patch changes that the College tracked using a spreadsheet but were unable to determine the completeness of the changes. However, this was the only list of the changes available; therefore, auditors used the data for sampling.

To assess the reliability of the data sets extracted from the State Property Accounting system (SPA) as they related to the disposed assets, auditors (1) reconciled the data to the College's Colleague system, (2) compared the data to the College's Annual Financial Report, and (3) analyzed the data sets for reasonableness and completeness. Based on that reconciliation, auditors determined that the data set extracted from SPA was not complete. However, the missing data was identified in the Colleague data set, and after combining the two data sets, auditors determined that they were sufficiently reliable for the purposes of this audit.

Sampling Methodology

To assess the College's asset disposal process and the change management of the College's financial system, auditors selected stratified nonstatistical samples of 25 disposed assets and custom and vendor patch changes through random selection. This sample design was chosen so the sample could be evaluated in the context of the population. Those test results may be projected to the population, but the accuracy of the projection cannot be measured.

Auditors selected nonstatistical samples of expenditures, primarily through random selection, from 3 categories:

- 1) 36 vendor payments totaling \$1,074,942 from a population of 29,718 vouchers.
- 2) 32 travel payments totaling \$210,029 from a population of 7,310 vouchers.
- 3) 35 procurement card payments totaling \$145,216 from a population of 47,782 statement transactions.

In some cases, auditors selected additional items for testing based on risk. The sample designs were chosen to address specific risk factors identified in the population, such as dollar amount and procurement type. This sample design was chosen to ensure that the sample included a cross section of transactions. The test results as reported do not identify whether items were randomly selected or selected using professional judgment; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- Statutes, rules, guidelines, and operating procedures relevant to vendor payments, procurement card purchases, travel expenditures, and asset disposals.
- Property transfer/deletion forms, stolen property investigation forms, and documentation to support asset disposal method.
- Payment vouchers, purchase orders, invoices, contract agreements, receiving documents, receipts, monthly procurement card statements, and expense reports.
- Expenditure data from the College's financial system of record, Colleague.
- The College's asset disposal data from SPA and Colleague.

Procedures and tests conducted included the following:

- Interviewed College management and staff.
- Analyzed data pertaining to vendor payments, procurement card purchases, travel expenses, and assets.
- Tested disposed assets for compliance with the Office of the Comptroller of Public Accounts (Comptroller's Office) requirements and College policy.
- Tested vendor payments, procurement card purchases, and travel expenses for compliance with College policies, rules, and applicable statutes.
- Tested selected general controls for Colleague and the Uniform Statewide Accounting System. Auditors also performed limited application control testing on Colleague.

Criteria used included the following:

- Texas Education Code, Section 51.9337.
- Title 1, Texas Administrative Code, Chapter 202.
- Comptroller's Office's *SPA Process User's Guide*.
- The College's travel card application and agreements.

- The College's standard operating procedures for its system of record (Colleague), asset disposals, real and personal property accounting, procurement card purchases, and travel expenditures.
- The Department of Information Resources' *Security Control Standards Catalog, Version 1.3*.

Project Information

Audit fieldwork was conducted from June 2020 through March 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Link Wilson (Project Manager)
- Jacqueline M. Thompson, CFE (Assistant Project Manager)
- Cody Bogan, CFE
- Evan Cresap, CPA
- Ashlie Garcia, MS, CFE
- Matthew J. Montgomery
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Cesar Saldivar, CFE, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. Government Auditing Standards require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 3.

Table 3

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> ▪ The organization demonstrates a commitment to integrity and ethical values. ▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. ▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. ▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. ▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> ▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. ▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. ▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives. ▪ The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> ▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. ▪ The organization selects and develops general control activities over technology to support the achievement of objectives. ▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> ▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. ▪ The organization internally communicates information, including objectives and responsibilities

Internal Control Components and Principles		
Component	Component Description	Principles
		<p>for internal control, necessary to support the functioning of internal control.</p> <ul style="list-style-type: none"> ▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> ▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. ▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dade Phelan, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas State Technical College

Members of the Texas State Technical College Board of Regents

Mr. John K. Hatchel, Chair
Mr. Tony Abad
Mr. Curtis Cleveland
Mr. Keith Honey
Mr. Charles "Pat" McDonald
Mr. Alejandro "Alex" Meade III
Ms. Kathy Stewart
Ms. Tiffany Tremont
Mr. Ron Widup
Mr. Michael Reeser, Chancellor and CEO



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: www.sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government visit <https://sao.fraud.texas.gov>.



Kim Vickers
Executive Director

Texas Commission on Law Enforcement Agency Audit Report

6330 East Highway 290, STE 200
Austin, Texas 78723
Office - (512) 936-7700
Fax - (512) 936 - 7766

<u>Audit Number</u>	<u>Audit Date</u>	<u>Auditing Agent</u>	<u>Audit Type</u>	<u>Audit Findings</u>	<u>Audit Status</u>
11569	Apr 20 2021	Thomas Bickers	Partial	No Deficiencies Noted	Approved- Closed

Agency Number: 309008

**To the
Attention of:** Brian Davis

Tstc - Waco Police
Department
1101 Airline Drive
Waco, TX 76705

brian.davis@tstc.edu

Resolution

Comments:

Auditor's Comments

TCOLE licensing audit conducted with Chief Brian Davis of the Texas State Technical College Police Department located in Waco, Texas. Chief Davis is listed as the agency head and was appointed on 1 February 2014.

Five (5) of nine (9) files were audited and Firearms Inspection was conducted on the other four files as they were previously audited in the 25 October 2016 audit. The previous audit, dated 25 October 2016, indicated no deficiencies and this audit indicated no deficiencies.

Chief Davis acknowledged the results of the audit by signing a copy of the Preliminary Audit Report. A copy of the Report was sent to him by email. Agency roster and contact information as shown in TCLEDDS were confirmed.

Racial Profiling reporting requirements- The agency has submitted the current Racial Profiling Report. NOTE: Please be advised that failure to submit the required report within the designated reporting period (Jan. 1, 2021 - Mar. 1, 2021) may result in license action against the chief administrator and/or civil penalties up to \$5,000 against the agency under CCP 2.134(g) and 2.1385(a), respectively.

The TCOLE website now has Technical Assistance Bulletins (TAB's) located at the bottom of the front page to assist agencies with various issues. It is advised that you become familiar with these.



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

June 23, 2021

Fred Farias III, O.D.
CHAIR

Donna N. Williams
VICE CHAIR

Ricky A. Raven
SECRETARY OF THE BOARD

Matthew B. Smith
STUDENT REPRESENTATIVE

S. Javaid Anwar
Emma W. Schwartz
R. Sam Torn
Welcome Wilson, Jr.

Harrison Keller, Ph.D.
COMMISSIONER
OF HIGHER EDUCATION

(512) 427-6101
Fax (512) 427-6127

Web site:
<http://www.highered.texas.gov>

Jonathan Hoekstra (jonathan.hoekstra@systems.tstc.edu)
Vice Chancellor and Chief Financial Officer
Texas State Technical College System
3801 Campus Drive
Waco, TX 76705

RE: AY 2020 A-133 Evaluation Management Letter

Dear Mr. Hoekstra:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, must provide due diligence to ensure its subrecipients meet the requirements of the Single Audit Act Amendments of 1996, as prescribed in the U.S Code of Federal Regulations Part 200 (2 CFR Part 200 Subpart F – Audit Requirements, formerly OMB Circular A-133 Compliance Supplement and Government Auditing Standards).

The purpose of this letter is to issue our management decision regarding findings, if any, related to state or federal funds passed through the Texas Higher Education Coordinating Board that are noted in your organization's Appropriation Year 2020 Uniform Guidance 2 CFR Part 200 Subpart F (A133) Single Audit Report and related documentation.

Federal Fund Findings: NONE

State Fund Findings: NONE

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Nancy Morales via email at Nancy.Morales@highered.texas.gov or call 512.427.6493.

Thank you for your assistance,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark Poehl, CPA, CIA, CISA, CFE
Assistant Commissioner, Internal Audit & Compliance

cc: Jason Mallory, Director of Internal Audit (jason.mallory@systems.tstc.edu)



TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

July 8, 2021

Fred Farias III, O.D.
CHAIR

Donna N. Williams
VICE CHAIR

Ricky A. Raven
SECRETARY OF THE BOARD

Matthew B. Smith
STUDENT REPRESENTATIVE

S. Javaid Anwar
Emma W. Schwartz
R. Sam Torn
Welcome Wilson, Jr.

Harrison Keller, Ph.D.
COMMISSIONER
OF HIGHER EDUCATION

(512) 427-6101
Fax (512) 427-6127

Web site:

<http://www.highered.texas.gov>

Jonathan Hoekstra (jonathan.hoekstra@systems.tstc.edu)
Vice Chancellor & CFO
Texas State Technical College
3801 Campus Drive
Waco, TX 76705

RE: AY 2019 Perkins Desk Review Management Letter
CFDA 84.048

Dear Mr. Hoekstra:

The Texas Higher Education Coordinating Board (THECB), as a federal pass-through entity, must provide due diligence to ensure its subrecipients meet the requirements of the Carl D. Perkins Career and Technical Education Improvement Act of 2006.

This letter serves to communicate desk review compliance issue(s), if any, on federal funds awarded to your institution by THECB.

Desk Review Findings: None.

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Nancy Morales via email at Nancy.Morales@highered.texas.gov or call 512.427.6493.

Thank you for your assistance,

A handwritten signature in black ink that reads "Mark A. Poehl".

Mark Poehl, CPA, CIA, CISA, CFE
Assistant Commissioner, Internal Audit & Compliance

cc: Jason Mallory, Director of Internal Audit (jason.mallory@systems.tstc.edu)

2020-2021 Perkins Basic Grant Programmatic Desk Review
Institution: TSTC

Topic	Desk Review Documentation	Desk Review Observations	Staff Recommendations	Institutional Response
Performance on Core Indicators	Perkins Data Resources; CLNA Evaluation	TSTC System data unavailable for 2019/20. Met 90% in 1P1 from 2016-29/18/19, consistently outperformed indicators for 2P1, 3P1, 4P1. Consistently and clearly underperformed for 5P1 and 5P2 during this time period. CLNA score was 15 out of 15.	3P1 is the new Perkins V non-traditional indicator and is focused on enrollment. Recommend that the institution continue to pay particular attention to non-traditional enrollment and prioritize ameliorating strategies going forward.	TSTC is committed to improving non-traditional enrollment and will continue to incorporate strategies and best practices targeting those efforts. These strategies and initiatives will be incorporated into the Perkins 2021-2022 program year.
Capital and Non-Capital Equipment				
Procurement	Statewide Operating Standard for Purchasing; Statewide Standard for Property Accountability; Quotes for equipment; Procurement Justification Form; Sole Source documentation; Payment Voucher; Purchase Order; Billing documents; payment evidence;	Comprehensive and highly specific policies/procedures. Purchases with grant funding are reviewed and approved by the Office of Sponsored Programs. Capitalization requirements mirror federal requirements. Documentation provided for the purchase of a training set of electronic circuits in September 2020 which was a sole source procurement.	None	
Inventory	Statewide Operating Standard for Property Accountability; Perkins Inventory 2004-2020	Utilization of comprehensive database system to log, track and dispose of inventory.	None	
Labeling/Tracking	Statewide Operating Standard for Property Accountability	It is unclear if there is either federal or Perkins specific tagging done as part of this process.	If not already doing so, tag inventory with a unique property number that identifies the source of funding.	TSTC utilizes an inventory tracking system with a unique identifying number that is cross referenced in our inventory management system and in addition, is identified with a separate, non-removable Perkins grant tag. The system identifies such things as the grant account (funder), steward, location, purchase amount, and useful life.
Disposition	Statewide Operating Standard for Property Accountability Statewide Operating Standard for Disposal of Surplus Property	Federal guidelines are the standard for disposition, with specific reference to externally funded inventory having procedures overseen by the Office of Sponsored Programs.	None	
Travel (In-State)	Statewide Operating Standard for employee travel; no travel funded by Perkins.	GSA and US Dept. of Defense regulations and standards are referenced throughout. There are no Perkins specific travel regulations covered in the policies. TSTC has not used Perkins for travel since 2017-18.	None	
Travel (Out-of-State)	N/A	N/A	N/A	
Childcare/Transportation Vouchers				
Distribution & Eligibility	Program Guidelines for Child Care Assistance; Student Checklist; Program Guidelines for Transportation Assistance; Screen shots of web-based forms for services	Well thought out approach to service provision.	None	
Measuring Effectiveness	Persistence Rates FY20 for students with Childcare & Transportation Assistance	Clear indicator of outcomes.	None	

Topic	Desk Review Documentation	Desk Review Observations	Staff Recommendations	Institutional Response
Consultants/ Subcontractors	TSTC Statewide Operating Standard for Consulting Services; RFP for contractor; Bid tabulation form; Service Agreement; Contractor Proposal; Forms on contract compliance, non-collusion; References; Sub-contracting checklist; Conflict of Interest; Payment Voucher; Invoice; Payment documentation	Operating Standard is thorough. Comprehensive documentation provided on the transaction with a Captioning firm.	None	
Advisory Committees				
Frequency of Meetings	List of Advisory Committees and meetings, with explanations of scheduling policy and meetings canceled due to COVID-19.	Advisory Committees meet for system coverage by field/department.	None	
Format of Agendas, Minutes	Advisory Board Committees meeting list: Minutes for Instrumentation Technology, Computer Programming Technology/Web Design, Industrial Controls /Automation Technologies	Uniform minutes reporting per GIPWE guidelines; all minutes indicate chairs, are signed and have clear sections on agenda items. Instrumentation Technology chair appears to be from TSTC rather than external to institution.	Confirm that all committee chairs and co-chairs are external to the institution, as required by GIPWE.	We have confirmed that all committee chairs and co-chairs are external to TSTC. The Instrumentation Technology chair was actually Wes Nance with Lyondell Chemical during that particular board meeting.
Action on Recommendations	Minutes for Instrumentation Technology, Computer Programming Technology/Web Design, Industrial Controls /Automation Technologies	Clear indication that committee deliberations and recommendations are reported on and followed up.	None	
THECB Audits	THECB Audit letter to Harlingen from June 2019 from August 2018; THECB Audit letter to West Texas from July 2019; THECB Audit letter to Waco August 2019; THECB audit letter to Marshall July 2019; THECB audit letter to TSTC System August 2019	Harlingen 2019 - T&E Finding & campus response; West Texas 2019 - no findings; Waco 2019 findings on unallowable travel expenses and Waco response; Marshall 2019 no findings; System 2019 no findings	None	
Supplanting	Statement of Supplanting Policy	Policy is a statement of cost principles and statement that "certifies" institution will not engage in supplanting.	None	
Time & Effort	Time & Effort guidelines and procedures from the Office of Sponsored Programs; 3 Time and Effort Reports for 3 Individuals	Each individual is 100% charged to Perkins. Time & Effort reports do not provide space for individual's title or assignments, or activities to be listed.	An update of T&E report forms is required to provide space to indicate the activities performed during Perkins-funded reported time (RFA 7.5.2.1 concerning Schedule A expenditures; RFA 9.43 Time and Effort Recordkeeping.)	An updated T&E form has been developed to include employee title and space to indicate a list of activities performed for that month. This new form will be implemented starting 7/1/2021.
Part II - Institutional Self-Review				
Q1	Institutional response	Funding priorities were determined based on institutional data, departmental requests, stakeholder information and discussions undertaken during the CLNA process. Priority areas were identified during the CLNA effort, including increased need for online instruction, incorporation of soft skills training, incorporation of performance-based education and increased collaboration with partners.	None	
Q2	Institutional response	Administrators, Perkins team met with stakeholders to review core indicator performance and discuss strategies for improvement. Identification of what activities need to continue, change or end, or start was the outcome, which was used to create funding priorities and allocations.	None	

Topic	Desk Review Documentation	Desk Review Observations	Staff Recommendations	Institutional Response
Q3	Institutional response	Institution's Office of Sponsored Programs reviews items to ensure compliance with Perkins, federal and state guidelines. Refers questions to THECB .	None	
Q4	Institutional response and Supplanting procedures document (Topic 7 submission)	Explicit grant manual instructions are in place on supplementing/supplanting. Institution's grant accounting team does analysis to monitor projects and ensure supplemental spending is taking place. Perkins budget is assembled with supplementing requirements in mind.	None	
Q5	Institutional response	Advisory Committees discuss program offerings and course requirements for entry and completion, review course objectives and equipment and training procedures, do facilities/equipment inspections, and review national accreditation standards (depending on field). Funding is utilized for retention and completion goals via services (tutoring, entering, enrollment coaches, lending books/tools) that prioritize nontraditional CTE students. CLNA allowed identification areas and priorities for retention and completion, such as expansion of daycare, and accelerated conversion of CTE programs to online or hybrid formats.	None	
Q6	Institutional response		None	
Q7	Institutional response	Support services are targeted for special populations: lending book/tool program, daycare and transportation assistance programs, counseling support services, special accommodations. Importance of all of this confirmed by the CLNA process, resulting in the institution intention to expand childcare, transportation and lending book/tool program.	None	



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.