

Meeting of the Board of Regents

Audit Committee

May 12, 2022
Richmond, Texas



TEXAS STATE TECHNICAL COLLEGE

**Audit Committee Meeting
of the Board of Regents
2335 Richmond Pkwy
Richmond, TX 77469**

Thursday, May 12, 2022

9:00 a.m.

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Audit Committee

[Tony Abad (Chair), Kathy Stewart, Lizzy de la Garza Putegnat]

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**Texas State Technical College
Internal Audit
Status of Fiscal Year 2022 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
INTERNAL AUDITS						
Public Funds Investment Act Audit	Finance	Complete	22-003A	9/24/21	9/26/19	Required every 2 years
Virtual Private Network Audit (TAC 202)	OIT	Complete	22-004A	11/22/21	-	Risk Based
Benefits Proportionality Audit	Payroll	Complete	22-008A	12/8/21	12/6/19	Required every 2 years
Academic Records Management Audit	Registrar/Instructional	Complete	22-005A	12/17/21	-	Risk Based
Police Evidence Room Inspections	Police	Partially Complete	22-018A	12/15/21	Fiscal Year 2019	Risk Based
Coronavirus Aid, Relief, and Economic Security (CARES) Act Compliance Audit	OSP/Financial Aid/Student Services	Complete	22-006A	12/20/21	7/6/21	Risk Based
Internal Network Penetration Test	Fort Bend Campus	Complete	22-012A	1/4/22	3/29/19	Risk Based
Cash Counts	Various	Partially Complete	22-017A	3/15/22	Fiscal Year 2013	Risk Based
Tuition Audit	Finance	Complete	22-015A	3/29/22	7/8/14	Risk Based
TAC 202 Follow-up Audit	OIT	Complete	22-009A	5/12/22	3/10/22	Required Bi-annually
Audit of TWC Server	Business Analysis	In progress			-	Risk Based
Canvas System Audit (TAC 202)	Instructional/IT	In progress			-	Risk Based
On-Line Learning Audit	Instructional	In progress			-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office	In progress			9/23/21	Required Annually
Internal Network Penetration Test	North Texas Campus	In progress			2/13/19	Risk Based
Bookstore Audit	Marshall Campus				7/3/08	Risk Based

EXTERNAL AUDITS

Benefit Pay Replacement Desk Audit performed by the Comptroller's Office	Statewide	Complete	001-21-01	9/1/21
Summary - State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 by the State Auditor's Office	Finance	Complete	22-320	2/28/22
Summary - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 by the State Auditor's Office	Finance	Complete	22-555	2/28/22
A Summary Report on Full-time Equivalent State Employees for Fiscal Year 2021 by the State Auditor's Office	HR	Complete	22-703	3/31/22
Dual/Multiple Employment Desk Audit performed by the Comptroller's Office	Statewide	In progress		

OTHER INTERNAL PROJECTS

SAO Hotline: Received a complaint of employee related issues within a department. Results: The complaint was forwarded to HR for resolution. They concluded that recent organizational changes were not well communicated. One manager was terminated. For future changes that will result in changes to job titles, a matrix will be required that documents decision rationale.	Enrollment Services	Complete	22-010I	12/15/21
SAO Hotline: Received a complaint of a perceived race bias which has allegedly resulted in some employees not being required to submit leave requests. Results: The complaint was forwarded to HR for resolution. They reviewed the leave requests and use of select employees within OIT. They determined leave requests were being submitted, as required. No trends or anomalies were identified that supported the allegation.	OIT	Complete	22-013I	12/15/21
Internal Audit consulted with management of the Dental Hygiene Program regarding how to better control fees charged/collected during patient visits.	Dental Hygiene Program	Complete	22-023P	2/2/22
Internal Hotline: On 12/11/21, an anonymous concern was reported from presumably an instructor. The concern centered around the detrimental impact students repeatedly registering for courses to receive financial aid and then dropping courses will have on individual performance evaluations. Results: The concern was discussed with Instructional management, who indicated that student persistency and success will be elements of future performance evaluations, but will be refined as appropriate. There is no evidence of fraud, waste or abuse to investigate.	Instructional/Student Services	Complete	22-020I	2/2/22
Internal Hotline: On 1/19/22, an anonymous concern was reported related to alleged past criminal history of a current student, and the possibility he was an ongoing threat to other students. This report was immediately forwarded to the TSTC Police, Student Discipline, and Title IX personnel for follow-up and action. Results: The Police and Student Discipline took appropriate steps to mitigate the risk.	Instructional/Student Services	Complete	22-024I	2/3/22

Internal Hotline: On 1/27/22, an anonymous concern was reported related to employee fatigue of being a COVID Contract Tracer. Results: HR determined that most contact tracers received one-time bonuses in October 2021 based on their volume of work. All employees also received raises that same month connected with their permanent jobs. Finally, consideration is being given to another bonus as a result of the spiked activity that occurred in January.	HR	Complete	22-025I	3/15/22
Report by Management: On 2/15/22, an employee in student accounting reported a concern about fees being collected by the Dental Hygiene program. Specifically, the concern was that an employee was depositing student fees into her personal checking account. Results: Found no fraud or waste, but recommended that all payments by students be made directly to the cashier's office rather than to the program's lab assistant.	Dental Hygiene Program	Complete	22-027I	3/24/22
Internal Hotline: On 2/22/22, an anonymous concern was reported stating that a supervisor who is working remotely is difficult to contact. This reportedly impacted a student. Results: Forward to leadership in Student Enrollment to address. On 3/30/22, we were informed that the supervisor had evidence that she attempted several times to contact the student to demonstrate she was available and attempted to resolve the student's. Specific complaint appears to be a misunderstanding.	Student Rights - Abilene Campus	Complete	22-030I	3/30/22
Report by management: On 12/8/21, management notified us of a payment made to a fraudster based on fraudulent payment instructions. Results: Internal Audit has completed its investigation. The Police are currently performing a criminal investigation.	A/P	Partially Complete	22-019I	

Glossary	
A/P	Accounts Payable
HR	Human Resources
IA	Internal Audit
IT	Information Technology
OIT	Office of Information Technology
SAO	State Auditor's Office
TEC	Texas Education Code
TAC	Texas Administrative Code
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
Surprise Cash Counts - Harlingen Campus (22-017A)	1.	No findings identified.			
Tuition Audit (22-015A) A-5	1. A formal change management process should be established to ensure only approved rates and tiers are updated in Colleague, and to ensure Colleague performs its calculations as intended. We found over \$46 thousand in undercharges that may have been prevented/more readily identified had such a change management process been implemented.	Currently, tuition rates and tiers are updated in Colleague by one employee, with no oversight; After a decision was made which tiers the various programs of study would be assigned starting in Fall 2021, a formal implementation process was not in place; Found 32 students undercharged \$40,332; Access to the tuition tables, and to XLAT (the screen used to assign programs to a tuition tier) is not appropriately restricted; One academic program was assigned to the wrong tuition tier. As a result, 22 students enrolled in that program during the Fall 21 semester were under-billed by \$6,876; One student was overcharged \$167 when she simply changed her course section.	1.1 A change management plan will be implemented to segregate duties during the process of rate table changes and to ensure a reasonable amount of testing is undertaken before use in production. All rate table changes and program tier changes (which usually occur no more than once per year) after plan implementation should be overseen by the new change management plan.	Chad Wooten	9/1/22

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
TAC 202 Compliance – Quarterly Update (21-009A)	1.	1 more control was identified as being implemented.			

Dental Hygiene Investigation (22-0271)	1. We recommend better decisions be made to protect the College's resources, as well as the lab assistant's mental welfare and reputation.	Employee expressed frustration because she acted according to the supervisor's directives. Supervisor corroborated this.	1.1 We will consider the personal impact of asking too much of her so that we can achieve an appropriate balance for her to continue to make TSTC a great place to work for her.	Rico	Immediately
	2. We also recommend that all future \$415 Fees be paid directly to the Cashier's Office by the students, with a receipt being presented to the Program for evidence of payment. All purchases should then be made only through approved College purchasing methods.	There were no controls to ensure the money collected from the students was used appropriately.	2.1 Newly accepted students will pay their deposits directly to Cashiers office, and then provide proof of payment to us so that we can order their supplies and pay for their SCADHA membership fees. The deposits will be made to, and purchases made from, an approved College account that Student Accounting is helping set up.	Rico	5/1/22

State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 performed by the State Auditor's Office	1.	No findings identified related to TSTC .			
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Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021 performed by the State Auditor's Office	1.	No findings identified related to TSTC .			
A Summary Report on Full- time Equivalent State Employees for Fiscal Year 2021 performed by the State Auditor's Office	1.	This was an information report. No findings identified related to TSTC .			

Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary			
	12/31/21	3/31/22	Audits cleared from (Added to) Schedule
Audits from FY 2017 & Earlier	4	4	0
Audits from FY 2018	1	1	0
Audits from FY 2020	1	1	0
Audits from FY 2021	6	5	1
Audits from FY 2022	5	4	1
Net Total	17	15	2

Highlights:

TAC 202 Audits: 1 more control was implemented.
PCI Compliance Audit (18-009A): 7 more controls were implemented.
Audit of Contracts with Servion (21-005A): All corrective actions completed.
Audit of HEERF II Grant as part of CRRSA ACT (22-006A): All corrective actions were implemented.
Internal Network Penetration Test (22-012A): All corrective actions were implemented.
Benefits Proportionality Audit (22-008A): All corrective actions were implemented.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Summary of Departmental Audits (Marshall Welding Department 17-013A, Fort Bend Diesel 17-023A, Fort Bend HVAC 17-022A), C. Wooten, Boykin	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.	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.	Partially Complete: At 9/30/21, SPA is not longer being used (1.1), and the CIAG Committee has held its first meeting to review negligence related to missing assets (1.4). On 12/11/21, IA was informed that training (1.2) was under development, but will be tailored to reflect Workday. It won't be rolled out until after Workday is implemented in 4/122. In March 2022, Internal Audit reviewed the training that is under development.		1.2 5/30/22 1.3 4/30/22
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 3/30/22, 9 systems and the IT general controls have been audited. A total of 0 general controls and 7 (total for all systems audited) application controls were not yet implemented. In this quarter, 1 control was improved to implemented status, with 4 more under review.		Ongoing

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
PCI Compliance Audit (18-009A), Herrera	1. Numerous IT related controls and/or their control elements, as prescribed by PCI DSS, have not been implemented. As such, PCI DSS compliance is not being fully met.	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: At 3/30/22, only 38 controls were still in the process of being implemented for the Waco and Harlingen Cafeterias.		Ongoing
Airport Operations Audit (20-008A), Herrera, Semien	1. Contract management procedures should be enhanced to ensure all contract provisions are met.	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.	Ongoing: At 2/23/22, the Airport was working on a new lease with L3 for about 20 additional acres that would include the boneyard area. This is expected to be presented to BOR at their May meeting for review and approval.		12/30/2020, 6/30/22

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Audit of 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.	Pending Review: 12/9/21 - Several active clubs have transitioned their funds to their own bank accounts. There are still some active clubs that have yet to transition, and some inactive clubs that have no contact information. For the latter 2, a plan has been developed to possibly close the accounts and deposit the funds to a Foundation account to be used for students. The plan is currently being vetted to ensure it is allowable. Management expects all accounts to be closed by 2/28/22.		2/28/22
Faculty Credentials Audit (21-018A), DeLeon	1. While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.	1.2 Implement the Strategic Planning Online system.	Partially Complete: On 3/23/22, we learned the faculty credentialing specialist was no longer employed, and the position is currently being filled. Nicki Cone is assisting in the completion of these tasks. At this point, all current faculty are listed in SPOL. However, not all information and documentation has been entered and/or uploaded for all faculty. Ms. Cone is working on completing the data entry and documentation upload. The department has given a new completion date of 7/31/22.		12/31/2021, 7/31/2022
		1.3 Finish self-audits of all instructors hired before 3/1/2020.	Ongoing: See above notes.		5/31/2022, 7/31/2022

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Financial Processes Audit by the State Auditor's Office (21-001A), C. Wooten, Scherwitz	1. The College had weaknesses in its asset recording and disposal processes.	See Fixed Asset Issues	See Fixed Asset Issues		See Fixed Asset Issues
	2. The College should strengthen its access controls and maintenance processes to help ensure the reliability of its financial data.	1.3 Workday will make assigning and managing access easier to eliminate such issues.	Ongoing - 3/30/2022, implementation was still ongoing. Workday is scheduled to go live on 4/1/2022.		4/30/22
Accounts Receivable/Billing Audit (21-025A), C. Wooten	1. We identified systemic issues related to the timely recording of revenue and receipt of payments. Additionally, we identified some instances of payments being different from the contractual amounts.	1.1 TSTC plans to have fully implemented Workday, a new ERP system that should greatly enhance the visibility, efficiency and consistency of billing processes and payment collection. Potential non-compliance by lessees will continue to remain a known, but manageable risk.	Ongoing		5/31/22
VPN Audit (22-004A), Scherwitz	1. We identified 3 required controls that were not fully implemented. Those controls related to password configurations, testing of backups, and notification of when an audit log fails to update.	1.1 AU-5: Recommended accepting the risk because compensating controls are in place. 1.2 CP-4: We will develop a method to test these backups periodically to provide assurance that they are recoverable while also minimizing the disruption to end users. 1.3 IA-5: Implement a new password management system.	Ongoing		1.2 8/31/2022, 1.3 5/31/2022


Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Academic Records Management Audit (22-005A), Stuart-Carruthers, Bowers, Yanez, Scherwitz, McKee	1. There are specific opportunities to better control the integrity of final grades recorded in Colleague. These opportunities include more closely monitoring and restricting access to the systems relied upon, considering implementation of a single standardized method for submitting final grades, and enhancing select controls for final grade change requests.	1.1 For Moodle, access is currently being evaluated, with hundreds of accounts already being removed. TAC 202 compliance is also under review. For Webadvisor and Colleague, access to those systems will also be reviewed. Workday will eventually replace those systems.	Pending Review		2/28/22
		1.2 Over the next few years, each instructional department will be transitioning to a new learning management system. Once all departments have completed the transition, the new LMS will be TSTC's single method for maintaining gradebooks and posting grade.	Ongoing		12/31/23
		1.3 To minimize any errors and ensure compliance with ES 4.13 "Change of Grade on a Student's Permanent Academic Record" policy the Office of the Registrar will implement additional procedures to include the review of signatures before processing the request. In addition to help minimize any errors the Office of the Registrar in collaboration with the Instructional Division will implement the use of Adobe sign to submit requests for changing a grade to a student's record.	Ongoing		5/31/22

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Tuition Audit (22-015A), C. Wooten	1. A formal change management process should be established to ensure only approved rates and tiers are updated in Colleague, and to ensure Colleague performs its calculations as intended. We found over \$46 thousand in undercharges that may have been prevented/more readily identified had such a change management process been implemented.	1.1 A change management plan will be implemented to segregate duties during the process of rate table changes and to ensure a reasonable amount of testing is undertaken before use in production. All rate table changes and program tier changes (which usually occur no more than once per year) after plan implementation should be overseen by the new change management plan.	Ongoing		9/1/22
Dental Hygiene Investigation (22-0271), Raquel Rico	1. We recommend better decisions be made to protect the College's resources, as well as the lab assistant's mental welfare and reputation. 2. We also recommend that all future \$415 Fees be paid directly to the Cashier's Office by the students, with a receipt being presented to the Program for evidence of payment. All purchases should then be made only through approved College purchasing methods.	1.1 We will consider the personal impact of asking too much of her so that we can achieve an appropriate balance for her to continue to make TSTC a great place to work for her. 2.1 Newly accepted students will pay their deposits directly to Cashiers office, and then provide proof of payment to us so that we can order their supplies and pay for their SCADHA membership fees. The deposits will be made to, and purchases made from, an approved College account that Student Accounting is helping set up.	Pending Review: IA will follow-up in June. Ongoing		Immediately 5/1/22



MEMORANDUM

To: Chad Wooten, AVC/Finance
Blanca Guzman, Chief of Staff/Student Services

From: Jason D. Mallory, Audit Director 

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-018A) - Harlingen

Date: March 15, 2022

Purpose

This memorandum is to inform you of surprise cash counts we conducted during December 2021 on the Harlingen Campus. The purpose of these counts was to ensure all cash on hand in select offices was accounted for, and reasonably protected from theft.

Cash Counts Conducted & Results

Location	Date	Results
Business Office – Operating Cash	12/15/21	No material differences
Business Office – Emergency Fund	12/15/21	No material differences
Bookstore - Operating Cash	12/15/21	No material differences
Food Service – Operating Cash	12/15/21	No material differences

Conclusion

All cash in the Cashiers Office, bookstore, and cafeteria cash was accounted for, and reasonably protected. These amounts also agreed to accounting records. We identified 2 minor control improvements, but these were communicated to staff to be addressed.

cc: Jonathan Hoekstra, VC/Chief Financial Officer
Rick Herrera, VC/Chief Student Services Officer



Internal Audit Department

Audit Report

Tuition Audit (22-015A)

TEXAS STATE TECHNICAL COLLEGE

March 29, 2022

**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 audited processes relied upon for ensuring proper tuition is charged to students. Our test work included all tuition charged in the Spring, Summer and Fall 2021 semesters.

The primary objective of the audit was to ensure tuition rates approved by the Board of Regents (Board) were used when calculating student tuition charges. We also verified access to tuition rate tables were appropriate, applied waivers and/or exemptions were appropriate, the Texas Public Education Grant (TPEG) amounts were calculated and remitted properly, and tuition was remitted to the State timely and in the correct amounts. This audit did not test billing and collection procedures after tuition was charged. While there was limited testing in those areas after an issue was identified, this audit's primary focus was on the *calculation* of tuition based on approved rates and tiers.

To accomplish our objectives, we reconciled rates approved by the Board in August 2020 to rates used in the calculation. We verified each instructional program was placed in the correct tuition tier, and verified the decision process for determining tiers was comprehensive and well supported. We scrutinized the process for updating tuition rates and tiers by reviewing related access in Colleague which impacts these changes, and considered whether a formal change management process was used. We recalculated a sample of tuition charges for students in different programs and tiers. TPEG amounts were also recalculated, and related accounting documentation was reviewed to ensure collected tuition was remitted to the State. Finally, we tested a sample of students who were granted tuition waivers and/or exemptions by verifying they were eligible and that proper documentation was on file.

We determined approved tuition rates are being used, and programs are assigned to their approved tuition tiers. The Leadership Team has implemented a comprehensive methodology for determining what programs are assigned to the various tuition tiers. Waivers/exemptions are applied only to eligible students, and the amounts are allowable. TPEG and tuition amounts remittances are correct and timely. Tuition calculated for students is generally correct, but we did identify over \$46 thousand in underbilling. This is discussed in Finding #1, as well as our recommendation that the process for updating tuition rates and tiers be better controlled through a formal change management process. We feel this is especially important because an error, whether it be a mistake or intentional, could impact thousands of students and be significant from monetary and reputational perspectives.

Introduction

Texas Education Code, Chapter 54 requires the Board to establish tuition rates, sets minimum levels for tuition, and outlines permissible waivers and fees. Currently, charges include the minimum statutory tuition rate set at \$25 per hour for residents and \$170 per hour for nonresidents. The College has adopted additional designated tuition charges based on a tier system. Designated tuition is divided into four tiers, with the rate being based on the student's program of study. The

current designated tuition rates are \$269 per hour, \$233 per hour, \$197 per hour, and \$161 per hour for tiers 1 – 4, respectively.

The College has implemented a system in which programs are categorized in different tuition tiers. The rates for each tier are approved one academic year in advance by the Board at their August meeting. The Leadership Team selects the tuition tiers each program will be assigned to based on a process that considers seven metrics, to include growth in number of applicants, labor market growth, placement rate, net value benchmark, wage benchmark, capacity ratio, and graduate growth. In the most recent tier selection analysis, 2 years of data was collected and reviewed by the Business Intelligence team. They made a recommendation for tier selection to the Leadership Team, who reviewed and approved them. Beginning in the Fall 2021 semester, the tiers include the following programs:

Tier	Program	Statutory Tuition	Designated Tuition
Tier 1	Associate Degree Nursing, Aviation Maintenance, Electrical Lineworker, instrumentation Technology and process operation, and Welding Technology	\$25/hour	\$269/hour
Tier 2	Biomedical Equipment Technology, Building Construction Technology, Computer Networking and Systems Administration, Culinary Arts, Cyber Security, Diesel Equipment Technology, Electrical Power & Controls, and Vocational Nursing	\$25/hour	\$233/hour
Tier 3	Architectural Design & Engineering, Auto Collision & Management, Automotive Technology, Business Management Technology, Chemical Dependency Counseling, Cloud & Data Center Management, Computer Programming Technology, Dental Hygiene, Digital Media Design, Education & Training, Emergency Medical Services, Environmental Technology, Health Information Technology, HVAC Technology, Industrial Systems Technology/Facilities Maintenance & Management, Occupational Safety Compliance, Precision Machining Technology, Solar Energy Technology/Electrical Construction, Surgical Technology, and Wind Energy Technician.	\$25/hour	\$197/hour
Tier 4	Aircraft/Helicopter Pilot Training, Automation and Controls, Avionics Technology, All Academic Programs/Courses, Computer Science, Core Curriculum Completer, Electromechanical Technology, Engineering, Mechatronics Technology, Plumbing & Pipe Fitting	\$25/hour	\$161/hour

	Technology, Robotics Technology, and Visual Communications Technology		
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The total calculated statutory tuition for fiscal years 2021 and 2020 was \$5,984,754 and \$6,175,828 respectively. For the same periods, calculated designated tuition totaled \$36,764,208 and \$37,970,985.

The Senior Executive Director of Student Accounting and Institutional Revenue is currently responsible for updating and maintaining tuition rates and program tiers in Colleague. Financial Accounting is responsible for remitting TPEG and tuition amounts to the State Comptroller. Depending on the type of waiver or exemption, Student Accounting, Human Resources, and VA Programs are all involved in granting these to eligible students.

Objectives

The objectives of the tuition audit were to:

- Verify only tuition rates approved by the Board were used in calculating student charges.
- Recalculate a sample of tuition charges to ensure Colleague is applying the instructions correctly.
- Verify programs were included in their appropriate tuition tier.
- Ensure access to change rate tables and program tiers is restricted, and well controlled.
- Ensure tuition waivers and/or exemptions are appropriate.
- Verify tuition withheld for TPEG is appropriate.
- Verify tuition remitted to the State is appropriate and timely.

Scope & Methodology

The scope of the audit included all tuition charged in the Spring, Summer, and Fall 2021 semesters, as well as the related processes that are relied upon. Our methodology was based upon Texas Education Code, Chapter 54, SOS 1.10 Tuition and Fees, SOS FA 3.3 Texas Public Education Grants, and other internal policies. To accomplish our objectives, we recalculated tuition for a sample of students, verified tuition rates and program tiers, and reviewed a sample of waivers/exemptions. We also verified amounts set aside for TPEG and amounts remitted to the State. Additionally, we verified access to change tuition rates and program tiers is appropriately restricted. Finally, we reviewed the process used to ensure approved tuition changes are implemented.

General Observations

Approved tuition rates are well documented, and the Leadership Team has established a robust process for selecting the tiers each program will be placed in. Tuition charges are calculated through an automated process, with those calculation instructions being input and maintained by the Senior Executive Director of Student Accounting and Institutional Revenue. We recognized the significant effort she puts forward to update and maintain tuition rate tables and tiers. The Financial Accounting office has established a strong process for setting aside TPEG amounts and

remitting tuition to the State timely. The staff involved in this audit provided documentation when requested, and was responsive to questions we asked.

Summary of Finding

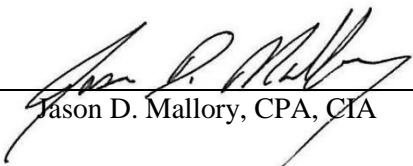
A formal change management process should be established to ensure only approved rates and tiers are updated in Colleague, and to ensure Colleague performs its calculations as intended. We found over \$46 thousand in undercharges that may have been prevented/more readily identified had such a change management process been implemented.

Opinion

Based on the audit work performed, tuition calculations are based upon approved rates and tiers. Waivers/exemptions, TPEG amounts are appropriate, and tuition remittances to the State are appropriate and timely. However, a formal change management process for updating and maintaining tuition rates and tiers needs to be implemented to ensure all charges are based on approved parameters.

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

Submitted by:



Jason D. Mallory, CPA, CIA

March 29, 2022

Date

AUDIT FINDING DETAIL

Finding #1: A formal change management process should be established to ensure only approved rates and tiers are updated in Colleague, and to ensure Colleague performs its calculations as intended. We found over \$46 thousand in undercharges that may have been prevented/more readily identified had such a change management process been implemented.

Criterion: Tuition charges are calculated by Colleague using rate and tier information input by an employee. We reviewed the processes and controls currently relied upon to ensure Colleague calculated tuition properly using only approved rate and tier information. Any error in these instructions would be applied to an entire population of students, which could impact a significant number of students, and create a material dollar error.

We made the following observations that led us to conclude that a formal change management process for rate and tiers would prove beneficial:

- Currently, tuition rates and tiers are updated in Colleague by one employee. She is responsible for updating tuition rate tables, inputting programs into their approved tiers, and overseeing tuition billing to students. There is not any verification of the changes she makes, testing to ensure Colleague calculates correctly, or formal documentation of the changes made.
- After a decision was made which tiers the various programs of study would be assigned starting in Fall 2021, a formal implementation process was not in place. This contributed to the information not being updated in Colleague until June 2021. Returning students began registering for classes in late April and early May. This resulted in students and their parents not knowing the actual cost of attendance at the time of registration. They did not know that until the tables were retroactively updated in June.
- During our test to recalculate tuition, we identified two students in the Fall 2021 semester who were inexplicably charged only the statutory minimum tuition of \$25 per hour. We expanded our testing to identify all similar cases, and found another 30 students. The total amount undercharged was \$40,332. We attempted to determine the cause of the issue, but could not. It appears that Colleague has some operating glitch that affected these students.
- Access to the tuition tables, and to XLAT (the screen used to assign programs to a tuition tier) is not appropriately restricted. We found multiple users that have edit access to these screens that are not involved in the process of updating tuition tables or program tiers. Our review of access logs did not identify any inappropriate or suspicious activity, though.
- One academic program was assigned to the wrong tuition tier. As a result, 22 students enrolled in that program during the Fall 21 semester were under-billed by \$6,876. This error carried over to the Spring 2022 calculation. The program tier was corrected during the audit.
- One student was overcharged \$167 when she simply changed her course section. This should not have increased her tuition.

Consequences: Increased risks of students being billed incorrectly, lost revenue to the College, and frustration for students and parents.

Possible Solutions: We recommend implementing a formal change management process, similar to one used by OIT when system programming changes are made. This change management process should, at a minimum, restrict the ability to make changes to tuition rate tables beyond what it is now, identify a responsible person(s) for making the changes, and incorporate comprehensive testing of changes before they are implemented in the production environment. An adequate separation of duties in making the changes, testing them, and implementing them should also be included.

We recommend a decision be made on collecting the tuition undercharges we identified for the individual students, and consideration be given to refunding the student we identified who was overcharged.

Management Response

Management of the Student Accounting department agrees with the observations made in the audit. Sporadic tuition billing errors were the result of unexplainable system irregularities and also the lack of a comprehensive change management plan for production system updates to tuition rates and program tier changes. By September 1, 2022, a change management plan will be implemented to segregate duties during the process of rate table changes and to ensure a reasonable amount of testing is undertaken before use in production. All rate table changes and program tier changes (which usually occur no more than once per year) after plan implementation should be overseen by the new change management plan. Chad Wooten, Associate Vice Chancellor Finance will be responsible for implementation of this corrective action plan, with assistance from Larry McKee, Executive Director of IT Compliance. Management of the Student Accounting Department recommends the underbilled accounts identified in the audit not be subject to collections because the error was the result of a College process failure with no fault of the affected students. Additionally, attempts to collect could cause undue financial hardships on the students at this point, and detract from their efforts to complete their degrees.

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

May 2022

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: May 12, 2022

The purpose of this memo is to provide you the current implementation statuses of IT controls required by TAC 202 tested in numerous internal audits of systems conducted since 2017. Annually, the list of audits of systems will increase as we continue to audit. Each quarter we test select controls which were previously not implemented. From January 1 through March 31, 2022, **1** more required control was implemented. 4 others were being tested at the end of the quarter. The control that was implemented, and the controls currently under review are related to the Informer application. For the systems that are lightly shaded, all controls have been implemented.

RESULTS

General Controls

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 1}	Total
As of December 2021	63	19	0	4	86

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
As of March 2022	38	11	0	0	49

Perceptive Content

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 2}	Total
As of March 2022	33	15	0	1	49

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
As of December 2021	46	3	0	0	49

Google Suite

Original Audit: December 10, 2018

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 3}	Total
As of December 2021	38	9	0	2	49

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
As of December 2021	48	1	0	0	49

Informatica Server

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of December 2021	49	0	0	0	49

PrismCore

Original Audit: September 21, 2020

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
As of December 2021	42	6	0	1	49

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

Informer

Original Audit: April 6, 2021

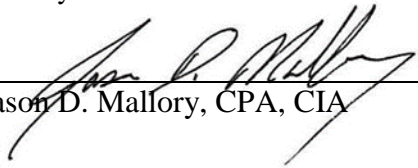
Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
January 2022 – March 2022	36	9	4	0	49
October 2021 – December 2021	35	9	5	0	49
Difference	+1	0	-1	0	

VPN

Original Audit: November 22, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
January 2022 – March 2022	49	0	3	0	52
October 2021 – December 2021	49	0	3	0	52
Difference	0	0	0	0	

Submitted by:



Jason D. Mallory, CPA, CIA

May 12, 2022

Date

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



State of Texas Federal Portion of the

Statewide Single Audit Report for the Year Ended August 31, 2021

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

February 2022
Report No. 22-320

INDEPENDENT AUDITORS' REPORTS
FEDERAL PORTION OF STATEWIDE SINGLE AUDIT REPORT
YEAR ENDED AUGUST 31, 2021



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

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas


We have audited the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas, as of and for the year ended August 31, 2021, and have issued our report thereon dated February 22, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

As described in Note 1 to the schedule of expenditures of federal awards, the schedule of expenditures of federal awards does not include expenditures of federal awards for six component units of the State of Texas. Each of those component units has its own independent audit in compliance with the Uniform Guidance.

Lisa R. Collier

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

February 22, 2022

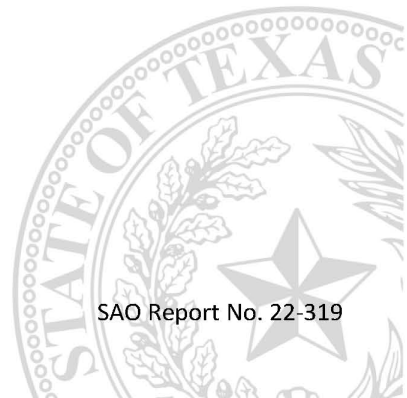
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SAO Report No. 22-319



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
Members of the Legislature, State of Texas

Report on Compliance for Each Major Federal Program

We have audited the State of Texas' (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended August 31, 2021. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State's financial statements include the operations of a blended component unit, Texas A&M Research Foundation (TAMRF), which expended approximately \$60.6 million in federal awards, which is not included in the State's schedule of expenditures of federal awards for the year ended August 31, 2021. Our audit, described below, did not include the operations of TAMRF because the entity has engaged other auditors to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management of the State agencies and Universities is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the State's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Provider Relief Fund and Research and Development Cluster major federal programs (the other auditor's major federal programs), which represents approximately 2% of total federal assistance expended by the State for the year ended August 31, 2021. The other auditor's major federal programs are identified in the accompanying schedule of findings and questioned costs as major federal programs and were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the other auditor's major federal programs are based solely on the reports of the other auditor. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
Members of the Legislature, State of Texas

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements related to the following:

Agency	Major Program	Compliance Requirement	Finding Number
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Eligibility, Special Tests and Provisions – UI Program Integrity – Overpayments	2021 – 019
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Special Tests and Provisions – UI Program Integrity - Overpayments	2021 – 020

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinions

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions* paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance and Presidential Declared Disaster Assistance to Individuals and Households - Other Needs programs for the year ended August 31, 2021.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, based on our audit and the report of the other auditor, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2021.

Other Matters

The results of our auditing procedures and the report of the other auditor disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

Agency/ University	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	Aging Cluster	Allowable Costs/Cost Principles	2021 - 004
	Medicaid Cluster		
	ALN 93.958 – Block Grants for Community Mental Health Services	Subrecipient Monitoring	2021 - 006
	ALN 93.958 – Block Grants for Community Mental Health Services		
		Reporting	2021 - 007
	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2021 - 008

The Honorable Greg Abbott, Governor
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Members of the Legislature, State of Texas

Agency/ University	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions – Provider Health and Safety Standards	2021 - 009
		Special Tests and Provisions – Medical Loss Ratio (MLR)	2021 - 010
		Special Tests and Provisions – Managed Care Financial Audit	2021 - 011
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program	Eligibility	2021 - 012
Texas Higher Education Coordinating Board	ALN 84.425 – Education Stabilization Fund	Subrecipient Monitoring	2021 - 015
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance	Allowable Costs/Cost Principles	2021 - 017
		Eligibility, Special Tests and Provisions – UI Program Integrity – Overpayments	2021 - 018
Texas Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles	2021 - 022
Texas A&M University	Research and Development Cluster	Equipment and Real Property Management	2021 - 101
		Subrecipient Monitoring	2021 - 102
The University of Texas at Austin	Research and Development Cluster	Equipment and Real Property Management	2021 - 103
The University of Texas Health Science Center at Houston	Research and Development Cluster	Equipment and Real Property Management	2021 - 104
The University of Texas Health Science Center at San Antonio	Research and Development Cluster	Equipment and Real Property Management	2021 - 105
The University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Equipment and Real Property Management	2021 - 107
The University of Texas Medical Branch at Galveston	Research and Development Cluster	Equipment and Real Property Management	2021 - 108

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
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Our opinion on each major federal program, based on our audit and the report of the other auditor, is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit and the report of the other auditor is described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the State agencies and Universities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be material weaknesses.

Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Eligibility, Special Tests and Provisions – UI Program Integrity – Overpayments	2021 – 019
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	Special Tests and Provisions – UI Program Integrity - Overpayments	2021 – 020

The Honorable Greg Abbott, Governor
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A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be significant deficiencies.

Agency/ University	Major Program	Compliance Requirement	Finding Number
Department of State Health Services	ALN 93.323 – Epidemiology and Laboratory Capacity for Infectious Diseases	Allowable Costs/Cos Principles	2021 - 001
		Reporting	2021 - 002
Health and Human Services Commission, Department of Family Protective Services, Department of State Health Services	Medicaid Cluster	Allowable Costs/Cost Principles	2021 - 003
	ALN 21.019 – Coronavirus Relief Fund		
Department of Family Protective Services, Department of State Health Services	ALN 93.958 – Block Grants for Community Mental Health Services		
	Aging Cluster		
Department of State Health Services	ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs		
Health and Human Services Commission	Aging Cluster	Allowable Costs/Cost Principles	2021 - 004
	Medicaid Cluster		
	ALN 93.958 – Block Grants for Community Mental Health Services		
	Aging Cluster	Reporting	2021 - 005
	ALN 93.958 – Block Grants for Community Mental Health Services	Subrecipient Monitoring	2021 - 006
		Reporting	2021 - 007
	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2021 - 008
	Medicaid Cluster	Special Tests and Provisions – Provider Health and Safety Standards	2021 - 009
		Special Tests and Provisions – Medical Loss Ratio (MLR)	2021 - 010
		Special Tests and Provisions – Managed Care Financial Audit	2021 - 011
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program	Eligibility	2021 - 012
		Eligibility, Reporting	2021 - 013
Texas Higher Education Coordinating Board	ALN 84.425 – Education Stabilization Fund	Reporting	2021 - 014

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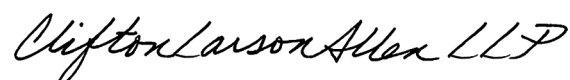
Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Higher Education Coordinating Board	ALN 84.425 – Education Stabilization Fund	Subrecipient Monitoring	2021 - 015
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance	Allowable Costs/Cost Principles	2021 - 016
	ALN 97.050 – Presidential Declared Disaster Assistance to Individuals and Households – Other Needs		
	ALN 84.126 – Rehabilitation Services - Vocational Rehabilitation Grants to States		
	Workforce Innovation and Opportunity Act Cluster		
	ALN 17.225 – Unemployment Insurance	Allowable Costs/Cost Principles	2021 - 017
		Eligibility, Special Tests and Provisions – UI Program Integrity – Overpayments	2021 - 018
	ALN 84.126 – Rehabilitation Services - Vocational Rehabilitation Grants to States	Period of Performance	2021 - 021
Texas Department of Transportation	Highway Planning and Construction Cluster	Allowable Costs/Cost Principles	2021 - 022
	Highway Planning and Construction Cluster ALN 20.509 – Formula Grants for Rural Areas	Cash Management, Subrecipient Monitoring, Special Tests and Provisions – Quality Assurance	2021 - 023
Texas A&M University	Research and Development Cluster	Equipment and Real Property Management	2021 - 101
		Subrecipient Monitoring	2021 - 102
The University of Texas at Austin	Research and Development Cluster	Equipment and Real Property Management	2021 - 103
The University of Texas Health Science Center at Houston	Research and Development Cluster	Equipment and Real Property Management	2021 - 104
The University of Texas Health Science Center at San Antonio	Research and Development Cluster	Equipment and Real Property Management	2021 - 105
The University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Special Tests and Provisions – Key Personnel	2021 - 106

The Honorable Greg Abbott, Governor
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The Honorable Dan Patrick, Lieutenant Governor
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Agency/ University	Major Program	Compliance Requirement	Finding Number
The University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Equipment and Real Property Management	2021 - 107
The University of Texas Medical Branch at Galveston	Research and Development Cluster	Equipment and Real Property Management	2021 - 108

The State's response to the internal control over compliance findings identified in our audit and the report of the other auditor is described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Texas
February 22, 2022



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

State of Texas Financial Portion of the
**Statewide Single Audit Report for the
Year Ended August 31, 2021**

February 2022
Report No. 22-555



Overall Conclusion

In our audit opinion dated February 22, 2022, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2021. The Office of the Comptroller of Public Accounts (Comptroller's Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2021, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

The consolidated financial statements provide a comprehensive view of the State's financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State's consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

Figure 1 on the next page summarizes the State's key financial information for fiscal year 2021.

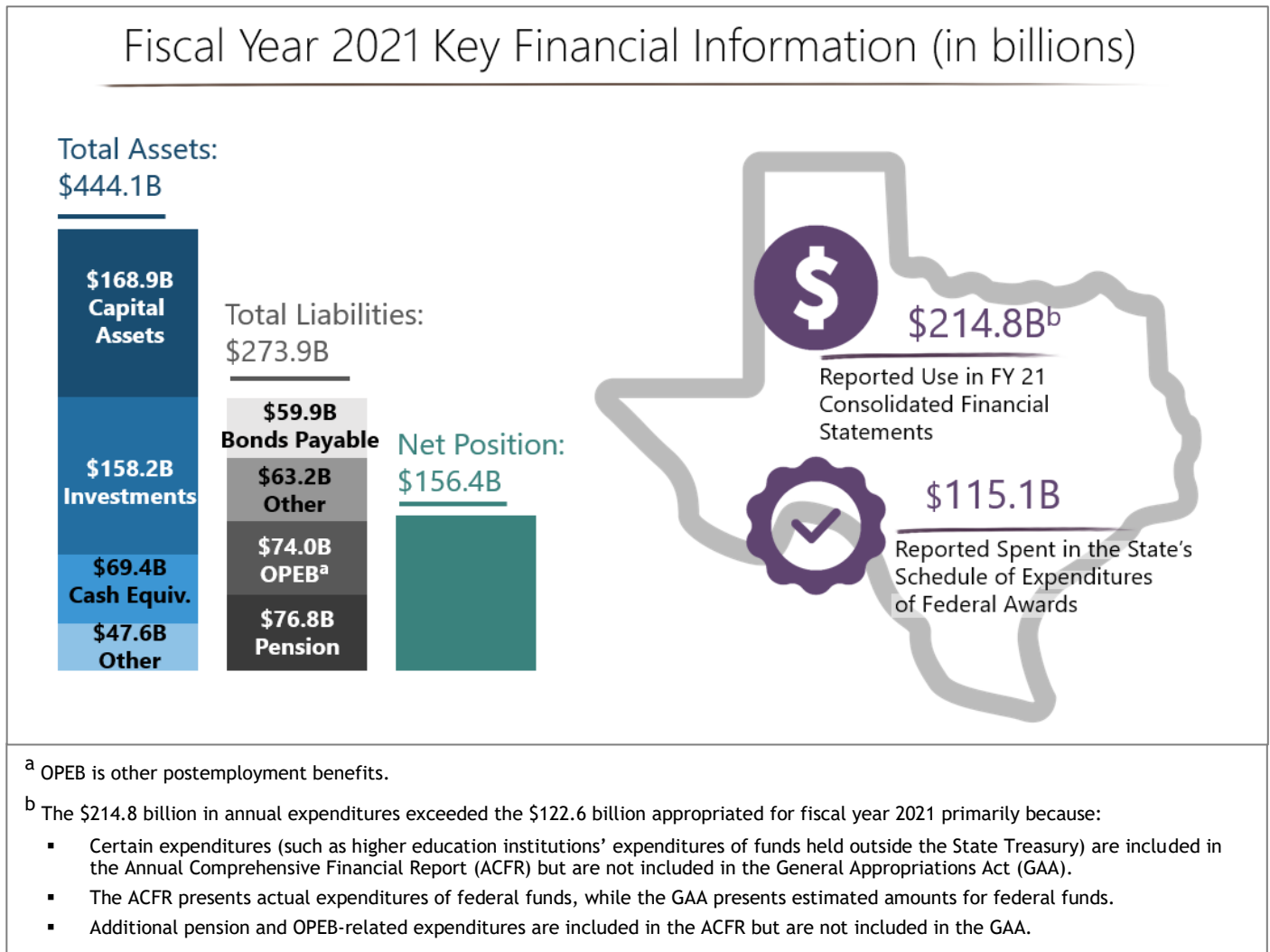
Basic Financial Statements

The State's basic financial statements include both government-wide and fund financial statements:

- Government-wide financial statements display information about the State as a whole, except for its fiduciary activities.
- Fund financial statements for the State's governmental and proprietary funds provide information on the major funds individually and nonmajor funds in the aggregate. Fiduciary statements include financial information for fiduciary funds.

Source: Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Figure 1



The State is also the trustee or fiduciary for 10 defined benefit pension and OPEB plans and 1 defined contribution pension plan. It is also responsible for other assets that can be used only for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are reported separately from other financial activities because the State cannot use the assets to finance its operations. The State's fiduciary responsibilities include ensuring that assets reported in those funds are used for their intended purposes. The financial activity and balances for those fiduciary activities are not included in the fiscal year 2021 totals presented above.

Auditing the basic financial statements is not limited to reviewing the numbers in those statements. Conducting this audit also requires the State Auditor's Office to obtain a sufficient understanding of the agencies and higher education institutions and their operating environments—including obtaining an understanding of the internal controls over systems and processes that the agencies and higher education institutions use to record their financial activities—to assess the risk of material misstatement of the financial statements.

Schedule of Expenditures of Federal Awards (SEFA). The State Auditor's Office also audited the State's SEFA in relation to the ACFR for fiscal year 2021 and issued an unmodified opinion. The Comptroller's Office prepares the SEFA by using self-reported SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor's Office and CliftonLarsonAllen LLP (CLA) audited the processes for preparing SEFA information at 16 agencies and higher education institutions. Auditors identified errors related to the SEFA information at eight agencies and higher education institutions. Those errors are discussed in Chapter 2-A of this report.

As part of the audit work for SEFA, auditors performed prior-year finding follow-up work at 10 agencies and higher education institutions and determined that recommendations for 2 of those findings were not yet fully implemented (see the Summary Schedule of Prior Year Audit Findings in Chapter 4-A of this report).

Single Audit Act. The State Auditor's Office conducts this audit so that the State can comply with federal legislation (the Single Audit Act Amendments of 1996); state statute (Texas Government Code, Section 403.013(c)); and grant requirements to obtain an opinion regarding the fair presentation of its basic financial statements and a report on internal controls related to those statements. The results of this audit may be used by bond-rating companies, the Legislature, and federal agencies that award grants.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The agencies and higher education institutions agreed with the recommendations in this report.



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

A Summary Report on
**Full-time Equivalent State Employees
for Fiscal Year 2021**

March 2022
Report No. 22-703



Overall Conclusion

During fiscal year 2021, state agencies and higher education institutions employed an average of 330,909.1 full-time equivalent (FTE) employees.¹ That was a **decrease** of 2,162.6 FTEs (or 0.6 percent) compared with the average number of FTEs in fiscal year 2020 (333,071.7).² Specifically:

- State agencies employed an average of 144,655.4 FTEs in fiscal year 2021. That was a **decrease** of 1,392.1 FTEs (or 1.0 percent) since fiscal year 2020.
- Higher education institutions employed an average of 186,253.7 FTEs in fiscal year 2021. That was a **decrease** of 770.5 FTEs (or 0.4 percent) since fiscal year 2020.

Full-time Equivalent (FTE) Employee Calculations

A full-time equivalent (FTE) employee is a ratio that represents the number of hours that an employee works compared to 40 hours a week. One FTE is any combination of employees whose hours total 40 hours a week.

FTEs do not necessarily equate to employee headcount. For example, 2 employees who each work 20 hours a week together equal 1 FTE. The number of FTEs at an agency or higher education institution is equal to the total number of hours paid in a quarter divided by the total number of work hours in the quarter.

It is important to note that state agencies and higher education institutions self-reported the FTE data presented in this report, and the State Auditor's Office did not independently verify that data. However, the information in this report was subject to certain quality control procedures to ensure accuracy.

Key Points

The majority of FTEs statewide were paid from appropriated funds.

Statewide, in fiscal year 2021, 66.0 percent of FTEs were paid from appropriated funds (state and federal appropriations). That figure includes FTEs funded 100.0 percent by federal programs. On average, in fiscal year 2021, 98.3 percent of FTEs at state agencies and 40.9 percent of FTEs at higher education institutions were paid from appropriated funds.

¹ This report focuses on FTE levels at state agencies and higher education institutions. In contrast, the State Auditor's Office's reports on classified employee turnover focus on employee headcounts for full-time and part-time classified employees at state agencies. Because FTE reports and turnover reports focus on different populations, the numbers in those reports should not be compared.

² The number of FTEs shown for previous years may vary from prior State Auditor's Office's FTE reports due to corrections that agencies and higher education institutions made to their FTE data.

During the past 10 years, FTE levels have increased for higher education institutions and decreased for state agencies.

Combined, the average number of FTEs at higher education institutions and state agencies in fiscal year 2021 represented an **increase** of 21,313.3 FTEs (or 6.9 percent) compared with 10 years ago in fiscal year 2012. Specifically, the average number of FTEs at higher education institutions **increased** by 26,466.7 (or 16.6 percent), while the average number of FTEs at state agencies **decreased** by 5,153.4 (or 3.4 percent).

Higher education institutions, health and human services agencies, and public safety and criminal justice agencies employed the majority of the State's workforce.

For fiscal year 2021, 85.7 percent of the annual average number of FTEs were employed in higher education institutions (56.3 percent), health and human services agencies (15.5 percent), and public safety and criminal justice agencies (13.9 percent). Those entities are found in Articles III, II, and V of the General Appropriations Act, respectively.

Contract and temporary workers paid from appropriated funds represented less than 1.0 percent of the State's FTEs.

During fiscal year 2021, state agencies and higher education institutions reported an average of 1,485.0 contract and temporary FTEs paid from appropriated funds, or 0.4 percent of the State's workforce.

The majority of state agencies and higher education institutions complied with their legislatively mandated limitations on state employment levels.

During fiscal year 2021, six state agencies and eight higher education institutions exceeded their legislatively mandated FTE limitations. See Chapter 3 for additional information.

The statewide average management-to-staff ratio (ratio) for fiscal year 2021 was 1:10.1 (1 manager or supervisor FTE per 10.1 supervised staff FTEs).

The ratio is used to determine an organization's "span of control," or the number of employees who report directly to a single manager or supervisor. Texas Government Code, Section 651.004(c), specifies that if an entity in the executive branch employs more than 100 FTEs, it "...may not employ more than one full-time equivalent employee in a management position for every 11 full-time equivalent employees...in nonmanagerial staff positions." Legislative and judicial agencies are excluded from this requirement.

State agencies averaged a ratio of 1:11.0, while higher education institutions averaged a ratio of 1:9.6.

Objective and Scope

The objective of this project was to provide the Legislature and the public with fiscal year 2021 summary information related to FTE employees of state agencies and higher education institutions, as well as historical/trend data and information related to management-to-staff ratios.

The scope of this project included self-reported FTE information for fiscal year 2021 (September 1, 2020, to August 31, 2021) that state agencies and higher education institutions submitted each quarter to the State Auditor's Office in accordance with Texas Government Code, Section 2052.103.

The information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to ensure accuracy.

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Detailed Results

Chapter 1

Overview of Statewide Full-time Equivalent Employee Data

The State Auditor's Office compiles full-time equivalent (FTE) employee data from state agencies and higher education institutions in accordance with Texas Government Code, Chapter 2052. Agencies and higher education institutions self-report that data on a quarterly basis (see text box).

Using agencies' and higher education institutions' self-reported quarterly data, the State Auditor's Office calculates an annual average that summarizes FTE activity for the entire fiscal year. Table 1 compares FTE data from fiscal years 2020 and 2021.

FTE System

The State Auditor's Office provides data analysis and reports in its FTE System, which is accessible at <https://www.sao.texas.gov/apps/ftesystem/>.

The FTE System maintains unaudited information that state agencies and higher education institutions have self-reported. Data in the FTE System may differ from data in this report because state agencies and higher education institutions periodically submit updated information to the FTE System.

Table 1

FTE Comparison ^a Fiscal Year 2020 and Fiscal Year 2021						
Time Period ^b	Fiscal Year 2020			Fiscal Year 2021		
	Agencies	Higher Education Institutions	Totals	Agencies	Higher Education Institutions	Totals
Quarter 1	145,368.3	195,837.3	341,205.6	145,390.5	192,777.5	338,168.0
Quarter 2	145,959.8	192,973.0	338,932.8	145,658.0	189,368.0	335,026.0
Quarter 3	146,529.3	191,701.2	338,230.5	144,933.9	192,174.1	337,108.0
Quarter 4	146,322.0	167,578.9	313,900.9	142,629.0	170,687.7	313,316.7
Annual Average ^c	146,047.5	187,024.2	333,071.7	144,655.4	186,253.7	330,909.1
^a Agencies and higher education institutions may have submitted updates for prior reporting periods, which could cause differences between this report and reports that the State Auditor's Office has previously issued. ^b Quarter 1 includes September, October, and November; Quarter 2 includes December, January, and February; Quarter 3 includes March, April, and May; and Quarter 4 includes June, July, and August. ^c Annual averages are not averages of the quarterly data presented.						

Source: FTE System, State Auditor's Office.

In addition to information about the total number of FTEs, Texas Government Code, Chapter 2052, requires the State Auditor's Office to report on management-to-staff ratios. The State Auditor's Office's FTE

System collects data on state employment limitations and management-to-staff ratios (see Chapters 3 and 4 for more information).

While the State Auditor’s Office did not independently verify the data that agencies and higher education institutions self-reported, the data was subject to certain procedures to ensure accuracy.

The majority of FTEs statewide were paid from appropriated funds.

Statewide, in fiscal year 2021, 66.0 percent of FTEs were paid from appropriated funds (state and federal appropriations). That figure includes FTEs funded 100.0 percent by federal programs (see Table 2). On average, in fiscal year 2021, 98.3 percent of FTEs at state agencies and 40.9 percent of FTEs at higher education institutions were paid from appropriated funds.

Table 2

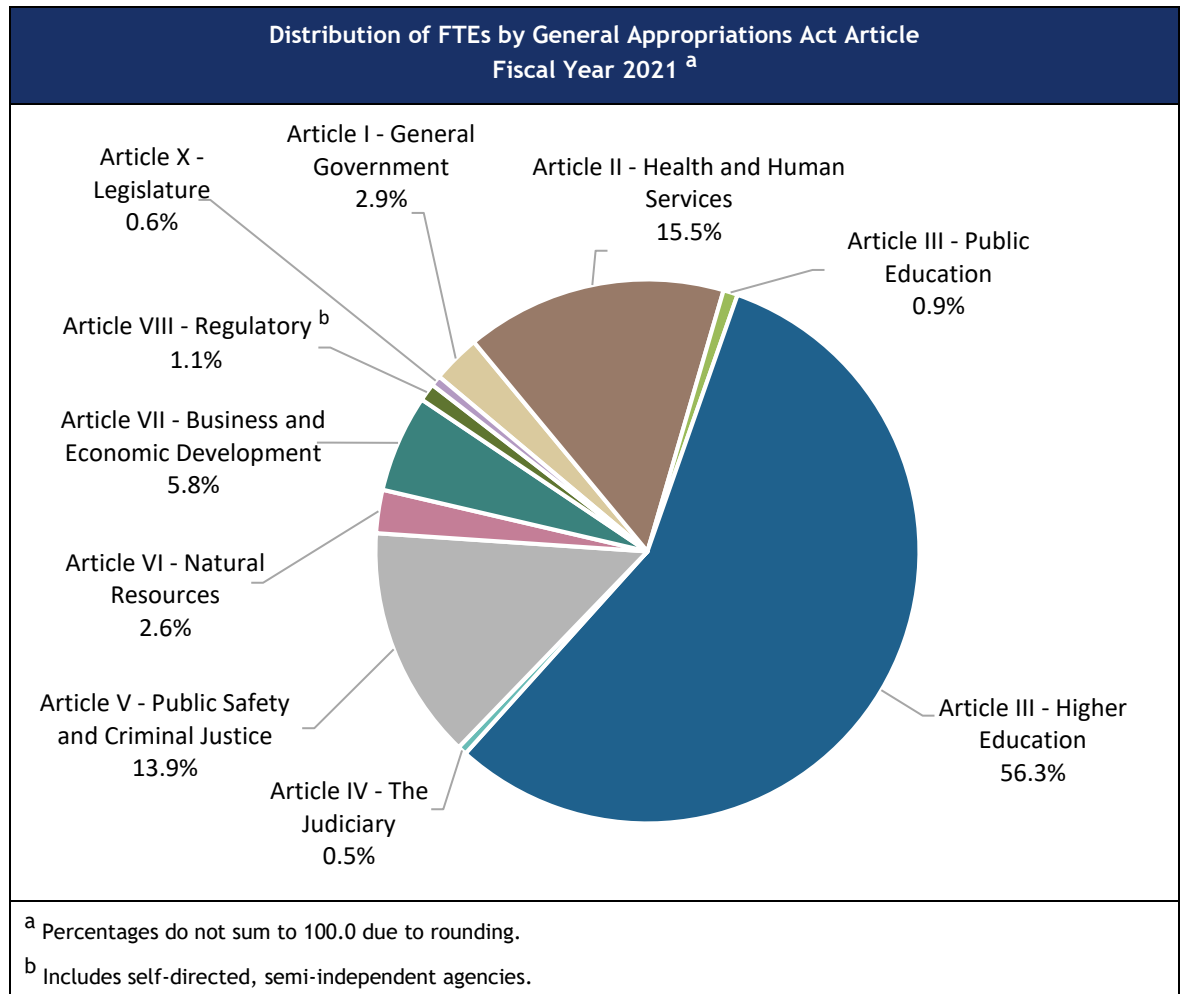
Statewide FTEs by Funding Source - Fiscal Year 2021							
Entity	Total FTEs Paid from Appropriated Funds		Total FTEs Paid from Non-appropriated Funds		Total Contract FTEs ^a		Total FTEs
	Number of FTEs	Percent	Number of FTEs	Percent	Number of FTEs	Percent	
State Agencies	142,264.4	98.3%	1,284.6	0.9%	1,106.4	0.8%	144,655.4
Higher Education Institutions	76,177.8	40.9%	109,697.3	58.9%	378.6	0.2%	186,253.7
Statewide ^b	218,442.2	66.0% ^c	110,981.9	33.5% ^c	1,485.0	0.4% ^c	330,909.1
^a For more information on contract FTEs, see Subchapter 2-E.							
^b Percentages do not sum to 100.0 due to rounding.							
^c Percentage is not the sum of the individual percentages.							

Source: FTE System, State Auditor’s Office.

Changes in FTE Levels

During fiscal year 2021, the State employed an average of 330,909.1 FTEs in state agencies and higher education institutions, which was a **decrease** of 2,162.6 FTEs (or 0.6 percent) from fiscal year 2020, when the average number of FTEs was 333,071.7. As shown in Figure 1, the majority of those FTEs were in higher education institutions (Article III³ in the General Appropriations Act), which employed 56.3 percent of the State's workforce. Health and human services agencies and public safety and criminal justice agencies (Articles II and V in the General Appropriations Act, respectively) together represented 29.4 percent of the State's workforce. This chapter discusses in further detail the number of FTEs within state agencies and higher education institutions, including the number of contract workers employed.

Figure 1



³ An article is a major division of a bill or statute. It is used in the General Appropriations Act to group agencies with similar functions.

During the Past 10 Years, FTE Levels Increased for Higher Education Institutions and Decreased for State Agencies

The 330,909.1 average number of FTEs at higher education institutions and state agencies in fiscal year 2021 represented a **decrease** of 2,162.6 FTEs (or 0.6 percent) compared with fiscal year 2020.

However, the average number of FTEs at higher education institutions and state agencies in fiscal year 2021 represented an **increase** of 21,313.3 FTEs (or 6.9 percent) compared with 10 years ago, in fiscal year 2012. That increase resulted from changes in the number of FTEs at higher education institutions; the number of FTEs for state agencies decreased. Specifically:

- Higher education institutions employed an average of 186,253.7 FTEs in fiscal year 2021. That was an **increase** of 26,466.7 FTEs (or 16.6 percent) compared to fiscal year 2012. This increase is due, in part, to the growth of the State's medical institutions. For example, the FTEs at the seven medical institutions of The University of Texas System accounted for 71.0 percent (or 18,788.4 FTEs) of the 10-year growth in higher education FTEs.
- State agencies employed an average of 144,655.4 FTEs in fiscal year 2021. That was a **decrease** of 5,153.4 FTEs (or 3.4 percent) compared to fiscal year 2012.

Table 3 on the next page shows the one-year, five-year, and ten-year trends in FTEs by General Appropriations Act article. For more specific information on FTE trends for state agencies and higher education institutions, see Appendices 5 and 6.

Table 3

Change in Annual FTE Levels by General Appropriations Act Article							
General Appropriations Act Article	Fiscal Year 2021 Annual Average	One-year Comparison (Change from Fiscal Year 2020 to Fiscal Year 2021)		Five-year Comparison (Change from Fiscal Year 2017 to Fiscal Year 2021)		Ten-year Comparison (Change from Fiscal Year 2012 to Fiscal Year 2021)	
		Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change
Article I - General Government	9,518.5	(194.0)	(2.0%)	(97.9)	(1.0%)	387.6	4.2%
Article II - Health and Human Services	51,390.0	(762.4)	(1.5%)	(1,208.9)	(2.3%)	(2,570.9)	(4.8%)
Article III - Public Education	2,849.5	142.8	5.3%	368.0	14.8%	542.3	23.5%
Article III - Higher Education	186,253.7	(770.5)	(0.4%)	8,757.3	4.9%	26,466.7	16.6%
Article IV - The Judiciary	1,790.2	7.3	0.4%	42.9	2.5%	96.9	5.7%
Article V - Public Safety and Criminal Justice	45,877.6	(2,005.4)	(4.2%)	(6,074.2)	(11.7%)	(6,981.2)	(13.2%)
Article VI - Natural Resources	8,519.0	225.7	2.7%	446.4	5.5%	663.9	8.5%
Article VII - Business and Economic Development	19,134.2	990.7	5.5%	1,813.1	10.5%	2,602.7	15.7%
Article VIII - Regulatory ^a	3,505.0	50.2	1.5%	13.6	0.4%	105.8	3.1%
Article X - The Legislature	2,071.4	153.0 ^b	8.0%	(166.9)	(7.5%)	(0.5)	0.0%
Statewide (Excluding Higher Education)	144,655.4	(1,392.1)	(1.0%) ^c	(4,863.9)	(3.3%) ^c	(5,153.4)	(3.4%) ^c
Statewide (Including Higher Education)	330,909.1	(2,162.6)	(0.6%) ^c	3,893.4	1.2% ^c	21,313.3	6.9% ^c
^a Includes self-directed, semi-independent agencies.							
^b This number reflects the increase in FTEs that occurs in odd-numbered years, when there is a regular legislative session.							
^c Percentage is not the sum of the individual percentages.							

Source: FTE System, State Auditor's Office.

Chapter 2-B

Higher Education Institutions Employed 56.3 Percent of the State's Workforce

Article III of the General Appropriations Act lists higher education institutions organized within seven university systems,⁴ as well as those that are identified as independent institutions. This subchapter discusses the FTE

⁴ A university system is the association of one or more public senior colleges or universities, medical or dental units, or other agencies of higher education under the policy direction of a single governing board.

distribution for those 73 higher education institutions,⁵ including a breakout of FTEs by employee type.

The University of Texas System employed more than half of the higher education workforce. The University of Texas System and the Texas A&M University System employed three-fourths (75.0 percent) of the State's higher education workforce in fiscal year 2021. The majority (59.1 percent) of these FTEs were employed within The University of Texas System, which is the largest university system in the state in terms of FTEs. Table 4 shows the distribution of higher education FTEs by university system. For a detailed list of higher education institutions within each system as well as those that are independent, see Appendix 6.

Table 4

Distribution of Higher Education FTEs by University System Fiscal Year 2021				
University System	Institutions within the System	Annual Average FTEs	Percentage of State Higher Education Workforce	Percentage of State Workforce ^a
The University of Texas System	16	110,053.9	59.1%	33.3%
Texas A&M University System	23	29,627.8	15.9%	9.0%
Texas Tech University System	5	13,919.4	7.5%	4.2%
Texas State University System	9	9,390.2	5.0%	2.8%
University of Houston System	5	9,133.2	4.9%	2.8%
University of North Texas System	4	7,298.1	3.9%	2.2%
Independent Universities	4	5,311.1	2.9%	1.6%
Texas State Technical College System	7	1,520.0	0.8%	0.5%
Totals	73	186,253.7	100.0%	56.3% ^b
^a Percentages are based on an average of 330,909.1 FTEs in state agencies and higher education institutions for fiscal year 2021.				
^b Percentage does not sum precisely due to rounding.				

Source: FTE System, State Auditor's Office.

The University of Texas M.D. Anderson Cancer Center had the highest annual average number of FTEs of all higher education institutions. The 20 higher education institutions with the highest annual average FTEs in fiscal year 2021 made up the majority of the State's higher education workforce (80.6 percent) and 45.4 percent of the entire State workforce. During fiscal year 2021, The University of Texas M.D. Anderson Cancer Center was the State's largest higher education institution in terms of FTEs. The University of Texas M.D.

⁵ Texas A&M System Shared Services Center is included in the 73 higher education institutions but is not listed in Article III of the General Appropriations Act.

Higher Education Institutions That Exceeded Their Legislatively Mandated Annual FTE Limitations on State Employment Levels Fiscal Year 2021					
Higher Education Institution Number and Name	Annual FTE Limitation	FTEs Reported (Subject to the Annual Limitation)	FTEs Over Annual Limitation	Percentage Over Annual Limitation	Reason for Exceeding the Annual Limitation (Reported by the Higher Education Institution)
758 - Texas State University System	12.2	13.5	1.3	10.7%	<i>In 2018, TSUS transitioned approximately 20 employees from institutional budgets to System Administration's budget. When preparing the 2020-2021 LAR, TSUS attempted to incorporate the impact of the reorganization into the requested number of FTEs; however, the estimate fell short. Requested FTE levels in the 2022-2023 LAR were further revised as a result. TSUS is exempted from the reporting and requesting requirements of Sec 6.10 as the number of FTEs is below 50 FTEs.</i>
759 - University of Houston - Clear Lake	416.4	434.2	17.8	4.3%	<i>UHCL experienced a dramatic decline in non-resident students in 2017 which required drastic budget reductions across the university. At the time FTE was also reduced due to funding which impacted the FTE reported to the SAO and the LAR for 18-19. In 20-21, UHCL started to experience stable growth requiring additional student support and faculty FTE and the funding increase to institutional enhancement allowed us to increase FTE at the rate of demand of our growing student population.</i>
769 - University of North Texas System Administration	107.4	114.8	7.4	6.9%	<i>Due to actions taken in response to COVID-19, additional employees were moved to E&G to manage cash flow.</i>
921 - Texas State Technical College - North Texas	42.3	44.9	2.6	6.1%	<i>TSTC in North Texas experienced a growth in enrollment which resulted in an increase of faculty to serve our students.</i>

Source: FTE System, State Auditor's Office.

Changes in Annual FTE Levels by University System and Higher Education Institution							
Higher Education Institution	Fiscal Year 2021 Annual Average	One-year Comparison (Change from Fiscal Year 2020 to Fiscal Year 2021)		Five-year Comparison (Change from Fiscal Year 2017 to Fiscal Year 2021)		Ten-year Comparison (Change from Fiscal Year 2012 to Fiscal Year 2021)	
		Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change
Sul Ross State University Rio Grande College	62.7	(5.1)	(7.5%)	(23.5)	(27.3%)	(15.4)	(19.7%)
Texas State University	4,371.4	(216.9)	(4.7%)	(224.9)	(4.9%)	295.3	7.2%
Subtotals for Texas State University System	9,390.2	(245.4)	(2.5%)	(417.7)	(4.3%)	727.6	8.4%
Texas State Technical College System							
Texas State Technical College System Administration	41.6	0.5	1.2%	(7.7)	(15.6%)	(1.8)	(4.1%)
Texas State Technical College - Fort Bend ^f	81.0	(4.7)	(5.5%)	35.1	76.5%	81.0	100.0%
Texas State Technical College - Harlingen	443.2	(54.7)	(11.0%)	(84.1)	(15.9%)	(93.6)	(17.4%)
Texas State Technical College - Marshall ^g	84.0	(6.6)	(7.3%)	(10.1)	(10.7%)	(23.9)	(22.2%)
Texas State Technical College - North Texas ^g	45.0	0.2	0.4%	9.4	26.4%	45.0	100.0%
Texas State Technical College - Waco ^f	616.4	(58.4)	(8.7%)	(50.0)	(7.5%)	(90.8)	(12.8%)
Texas State Technical College - West Texas	208.8	(21.7)	(9.4%)	3.2	1.6%	(44.0)	(17.4%)
Subtotals for Texas State Technical College System	1,520.0	(145.4)	(8.7%)	(104.2)	(6.4%)	(128.1)	(7.8%)
Independent Universities							
Midwestern State University	762.8	4.4	0.6%	(27.0)	(3.4%)	9.4	1.2%
Stephen F. Austin State University	1,506.5	(132.5)	(8.1%)	(194.8)	(11.5%)	(226.2)	(13.1%)
Texas Southern University	1,283.2	32.8	2.6%	40.7	3.3%	(61.1)	(4.5%)
Texas Woman's University	1,758.6	(38.3)	(2.1%)	(80.1)	(4.4%)	55.5	3.3%
Subtotals for Independent Universities	5,311.1	(133.6)	(2.5%)	(261.2)	(4.7%)	(222.4)	(4.0%)
Totals	186,253.7	(770.5)	(0.4%)	8,757.3	4.9%	26,466.7	16.6%

Changes in Annual FTE Levels by University System and Higher Education Institution

Higher Education Institution	Fiscal Year 2021 Annual Average	One-year Comparison (Change from Fiscal Year 2020 to Fiscal Year 2021)		Five-year Comparison (Change from Fiscal Year 2017 to Fiscal Year 2021)		Ten-year Comparison (Change from Fiscal Year 2012 to Fiscal Year 2021)	
		Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change

^a The University of Texas at Brownsville and The University of Texas - Pan American reported FTEs separately prior to fiscal year 2016. Senate Bill 24 (83rd Legislature, Regular Session) combined those institutions, resulting in the creation of The University of Texas Rio Grande Valley.

^b The University of Texas Rio Grande Valley School of Medicine's FTEs were reported as part of The University of Texas Rio Grande Valley prior to fiscal year 2020.

^c This is the former Texas A&M System - Office of Sponsored Research. The institution's name was changed to Texas A&M System Shared Services Center effective September 1, 2015.

^d House Bill 2794 (86th Legislature, Regular Session) transferred the Texas Division of Emergency Management programs from the Department of Public Safety to the Texas A&M University System, effective September 1, 2019.

^e Texas Tech University Health Sciences Center at El Paso's FTEs were reported as part of the Texas Tech University Health Sciences Center's FTEs prior to fiscal year 2016.

^f ~~Texas State Technical College - Fort Bend's FTEs were reported as part of Texas State Technical College - Waco prior to fiscal year 2017.~~

^g ~~Texas State Technical College - North Texas's FTEs were reported as part of Texas State Technical College - Marshall prior to fiscal year 2017.~~

Source: FTE System, State Auditor's Office.



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.