

Meeting of the Board of Regents

Audit Committee

August 18, 2022
Crawford, Texas



TABLE OF CONTENTS

Audit Committee

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

Minute Orders:

1. Proposed Audit Plan for Fiscal Year 2023 A-1
Jason D. Mallory

Reports:

1. Status of Fiscal Year 2022 Audit Schedule & Other Projects A-7
Jason D. Mallory
2. Summary of Audit Reports A-10
Jason D. Mallory
3. Follow-up Schedule & Status A-17
Jason D. Mallory
4. Texas Workforce Commission Server Audit (22-022A) A-27
Jason D. Mallory
5. Application Audit of Canvas (22-021A) A-34
Jason D. Mallory
6. Audit of Online Learning (22-002A) A-40
Jason D. Mallory
7. Annual Contract Audit (22-028A) A-45
Jason D. Mallory
8. Internal Network Penetration Test (22-031A) - North Texas A-51
Jason D. Mallory
9. TAC 202 - Quarterly Update (22-009A) A-56
Jason D. Mallory
10. Audit of Police Evidence Room (22-018A) A-60
Jason D. Mallory
11. Surprise Cash Counts - West Texas Campuses (22-017A) A-63
Jason D. Mallory
12. Surprise Cash Counts - Waco Campus (22-017A) A-65
Jason D. Mallory

13. Surprise Cash Counts - Fort Bend Campus (22-017A).....	A-66
<i>Jason D. Mallory</i>	
14. Surprise Cash Count - Marshall Campus (22-017A)	A-67
<i>Jason D. Mallory</i>	
15. Surprise Cash Count - North Texas Campus (22-017A).....	A-68
<i>Jason D. Mallory</i>	
16. A Report on Agencies', Higher Education Institutions', and Community Colleges' Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements	A-69
<i>State Auditor's Office</i>	
17. Attestation Disclosures	A-78
<i>Jason D. Mallory</i>	



Board Meeting Date:	August 18, 2022	Proposed Minute Order #: IA 01-22(c)
Proposed By:	Jason D. Mallory, Director of Audits	
Subject:	Proposed Audit Plan for Fiscal Year 2023	
Background:	The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents' approval for the annual audit plan and any revisions.	
Justification:	The guidelines of the Internal Auditing Act require that the internal auditor use risk assessment techniques to prepare an annual audit plan. The plan must identify the individual audits to be conducted during the year, and requires approval by the Board of Regents.	
Additional Information:	None.	
Fiscal Implications:	Funds available as budgeted for fiscal year 2023.	
Attestation:	The Minute Order is in compliance with all applicable laws and regulations to the best of my knowledge.	
Attachment(s):	Proposed Audit Plan – Fiscal Year 2023	
Recommended Minute Order:	"The Texas State Technical College Board of Regents approves the audit plan for fiscal year 2023 ."	
Recommended By:	<u>[ORIGINAL SIGNED BY]</u> Jason D. Mallory, Director of Audits	

Fiscal Year 2023 Audit Plan

Proposed August 18, 2022

Executive Summary

The purpose of the Audit Plan (Plan) is to outline audits and other activities the Internal Audit Department will conduct throughout fiscal year 2023. The Plan was developed through collaboration with the Board of Regents, Executive Management, and over 50 managers who oversee the major processes and activities that are crucial to fulfilling the College's mission. Internal Audit staff also provided input.

Documented assessments which considered the impact and likelihood of significant risks were performed on each major process and activity by the respective managers. The Internal Audit Department used the information provided by these risk assessments, as well as the other input provided, to assist in selecting the audits detailed in this proposal. We considered the following factors when selecting each audit:

- Time since last audit
- Financial impact a process, Department, or activity has on the College
- Turnover of key personnel
- Access to, or processing of, sensitive information or data
- Significance of regulatory exposure
- Recent known issues within a process, Department, or activity
- Payment processing/cash handling by a Department or activity
- Recent changes to significant procedures/processes, or increased activity

The Plan, its development, and approval are intended to satisfy requirements under the College's Internal Audit Charter (SOS GA.1.4) and the Texas Internal Auditing Act (TGC Chapter 2102).

The Plan includes 13 full-scope internal audits, 1 limited scope audit, and the potential for up to 3 audits to be outsourced to an external specialty firm. It also anticipates follow-up audits, investigations, and consulting type of projects. The Plan includes operational and audits of information technology assets and resources (IT), accounts for all audits required by some regulation, and those specifically requested by Regents and Executive Management.

Internal Audit Available Time

Total hours (5 Staff * 2,080 available man hours)	10,400	100%
Less: Estimated holidays, leave & training	1,540	15%
Total hours available for audits, other projects & administration	8,860	85%

Proposed 2023 Audit Plan

Operational Audits

1. **TEC 51.9337 (Contracting) Audit:** Required to be audited annually. This audit will test compliance to TEC 51.9337 related to contracting. Some of the tests that will be performed include policy requirements, training, conflict of interest disclosures, tracking of contracts, approval authority, and the availability and compliance to a College contract handbook. Contract performance will also be tested. This audit will focus on the remaining outstanding contract(s) associated with ground maintenance.
2. **American Rescue Plan Act – Higher Education Emergency Relief Fund III:** This audit will test the final installment and use of funds provided by the HEERF III grant. Available funds for this grant were approximately \$40 million.
3. **Audit of Remote Work Processes and Procedures:** This audit will be the second audit in a series related to operational shifts that resulted from the pandemic. The first audit related to Online Learning that focused on the impacts to students and educational effectiveness. This audit will focus on the impact to employees and the workplace, and the various risks and the associated controls.
4. **Accounts Payable Audit:** With the implementation of Workday, this audit will test the controls relied upon to ensure only valid invoices are paid. Amount, timeliness, and required documentation will be in scope.
5. **Audit within the Waco Physical Plant:** This audit will test the operational effectiveness and efficiency of one or more activities within the Physical Plant. Purchasing, IT access, and safety/security will be in scope. The activity or activities will be selected at the time of the audit.
6. **Audit within the Harlingen Physical Plant:** This audit will test the operational effectiveness and efficiency of one or more activities within the Physical Plant. Purchasing, IT access, and safety/security will be in scope. The activity or activities will be selected at the time of the audit.
7. **Payroll and Benefits Proportionality:** With the implementation of Workday, this audit will test the controls relied upon to ensure only payroll is processed timely and accurately. The audit will include benefits proportionality testing.
8. **Asset Verification:** This audit will be limited in scope, and focus almost entirely on verifying the accuracy of a sample of at least 1/3 of the recorded assets and controlled items reported by employees in the Summer 2022 inventory. The test will require each

asset and controlled item to be observed by Internal Audit. Given the size of this audit, a quarterly update will be provided to the Audit Committee throughout the year.

9. **Sick Leave Administration:** This audit will verify applicable policies and regulations are followed when administering short and long-term leaves of absences.
10. **Outsourced Construction Audit(s):** The College is beginning several significant construction projects. Depending on the level of completion for each project, up to 3 projects will be audited by a specialized external firm to verify contract compliance and to identify cost recovery opportunities.

IT Audits

1. **Internal Network Penetration Test (Harlingen campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
2. **Internal Network Penetration Test (East Williamson County campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
3. **Internal Network Penetration Test (Waco campus):** This audit will test the security of sensitive information accessible through the College's network. It will also test manual procedures which safeguard sensitive information. Social engineering will be a key component in this project.
4. **Audit of General IT Controls:** This audit will test the required TAC 202 controls that ensure the integrity, reliability, confidentiality, and availability of network and other IT assets. These were last tested in 2017. Version 2.0 of the Security Control Standards Catalog published by the Texas Department of Information Resources on January 2022, will be used as the audit standard.
5. **T-Drive Audit:** This audit will test the administration and security of a physical server used by various departments to store sensitive information and data. TAC 202 controls will be applied.

Other Projects

1. **Follow-ups on Past Audit Recommendations:** These will review the implementation status of corrective action plans on outstanding audit recommendations.

2. **Hotline Assessments and Investigations:** These will involve administering the anonymous ethics hotline, reviewing all reported complaints, and performing appropriate procedures to validate each complaint.
3. **Other projects:** These will include projects requested throughout the year. Already on that list is a status update on the Texas Cybersecurity Framework Assessment conducted in FY 2022. Also included in this category is the preparation of the Annual Audit Report and the 2024 Audit Plan.



**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
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
Tuition Audit	Finance	Complete	22-015A	3/29/22	7/8/14	Risk Based
Audit of TWC Server	Business Analysis	Complete	22-022A	5/16/22	-	Risk Based
Canvas System Audit (TAC 202)	Instructional/IT	Complete	22-021A	5/20/22	-	Risk Based
On-Line Learning Audit	Instructional	Complete	22-002A	6/6/22	-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office	Complete	22-028A	6/8/22	9/23/21	Required Annually
Internal Network Penetration Test	North Texas Campus	Complete	22-031A	6/9/22	2/13/19	Risk Based
TAC 202 Follow-up Audit	OIT	Complete	22-009A	6/30/22	5/12/22	Required Bi-annually
Police Evidence Room Inspections	Police	Partially Complete	22-018A	12/15/2021, 5/17/2022	Fiscal Year 2019	Risk Based
Cash Counts	Various	Partially Complete	22-017A	3/15/2022, 6/6/2022, 6/7/22, 6/10/22, 6/23/22	Fiscal Year 2013	Risk Based
Bookstore Audit	Marshall Campus	In Progress			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
Audit of Compliance with the Public Funds Investment Act performed by the State Auditor's Office	Finance	Complete	22-034	6/30/22
Dual/Multiple Employment Desk Audit performed by the Comptroller's Office	Statewide	In progress - waiting on report		

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

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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	22-0251	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	22-0271	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	22-0301	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 to identify the perpetrator. The College was able to recover all but \$7,737.48 of the \$87,400 that was originally wired.	A/P	Complete	22-0191	6/3/22		

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
Texas Workforce Commission Server Audit (22-022A)	1. We identified 8 of the 51 required TAC 202 controls that still need to be implemented. The implementation and strengthening of these will provide further confidence that the confidential data provided by the contract is secure.	Identified access (1), training (1), audit (1), contingency planning (1), identification (2), and personnel security (2) controls that still needed to be implemented or enhanced.	By April 27, 2022, the missing access, identification and authentication, and personnel security controls will be addressed through additional implementation of signed access forms and awareness training for all personnel with access to the server where the related data resides. A similar review of access and training will be performed annually by March 1 of each year. For the audit and accountability and contingency planning controls, we will work with OIT to ensure those controls are improved or the risk accepted.	Bill Holifield	4/27/22

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Application Audit of Canvas (22-021A)	1. We identified 6 of the 53 required controls that still need to be either implemented or substantially improved. The controls needing improvement primarily to access.	Identified access (2), identification (1), and personnel security (3) controls that still needed to be implemented or enhanced.	1.1 For AC-2, AC-5, PS-5, PS-6, PS-7, By September 1, 2022, OIT will refine access by verifying access by employees outside of instruction and vendors is still appropriate. We will also implement an authorization process for these same persons before access is granted. For instructor and student accesses, the ILP process will still be relied upon. Access logs will continue to be relied upon as compensating controls for specific functions within Canvas roles that seem incongruent with the overall role purpose.	Larry McKee	9/1/22
			1.2 For IA-5, We are in the process of implementing Okta which will allow for the password configuration standard to be enforced on all systems.	Larry McKee	6/30/22

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Audit of Online Learning (22-002A)	1. A defined set of training expectations for instructors would enhance the likelihood that Online and Hybrid courses meet TSTC's desired quality standards. Currently, there is no formulated set of required training(s).	We reviewed 117 faculty training records in TSTC's Professional Development Tracking Reporting system from Spring 2020 to Spring 2022 to determine if additional training was taken for new online faculty. While there were numerous training opportunities available, there was no consistency in the courses that the faculty were completing. We found 37 instructors did not have any training documented. There were 80 instructors who completed at least 1 training. Of those, the number of trainings ranged from 1 to 19, with the average number of trainings per these 80 faculty being almost 5.	1.1 SOS ES 2.20 is currently under revision and review in the College's SOS Management system to be finalized by August 2022. The updated statement regarding training standards will read that completion of training is encouraged, rather than required. The Online Learning Department works with TSTC's Learning and Development Office to provide training every Friday focused on online instruction best practices. Training sessions are recorded and housed in the College's learning management system for faculty to view and complete an activity for credit, if they cannot attend a live session. Attendance at a session (verified by signing in at the event) or completion of the activity at the end of the recorded version are used to track faculty training completion.	Gina Cano-Monreal	8/31/22

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Annual Contract Audit (22-028A)	1. Performance monitoring for both lawn maintenance contracts need to be improved to ensure insurance and background checks requirements are met, as well as to ensure invoices submitted by one vendor includes only allowable charges.	There is a discrepancy with one vendor regarding services provided at Griffith Hall. The written contract as read by Internal Audit includes services around Griffith Hall. The vendor asserts that their proposal did not include work around the dormitory because it was not yet completed. They indicated they had a verbal agreement with a former Building Maintenance Supervisor to bill for additional services. This discrepancy has created an additional \$10,010 paid by the College beyond what the contract appears to allow. This same vendor also overbilled the College \$1,260 for fire ant control services at a rate that was more than the contract allows. Neither vendor has been required to provide evidence of insurance and background checks of their employees.	1.1 By August 1, 2022, an amendment to clarify the scope and payments for the Griffith Hall lawn area will be completed.	Terry Pritchett	8/1/22

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
			1.2 By August 1, 2022, the vendor contract manager will perform a second review of all past and future invoices, creating a credit for any past clerical errors and preventing any future errors. By August 1, 2022, Terry Pritchett, Senior Executive Director - Facilities, will provide training to department staff who are responsible for reviewing invoices.	Terry Pritchett	8/1/22
			1.3 By August 1, 2022, Facilities will gather required insurance certificates and background check verifications from both vendors reviewed in the audit. In addition, a joint effort by Facilities, Risk Management, and Contract Administration will create and implement a new process for monitoring insurance coverage and background checks for higher-risk facilities contracts.	Terry Pritchett, Eric Vogelsinger	8/1/22

Internal Network Penetration Test (22-031A) - North Texas	1. We were able to obtain login credentials to the Portal application from 3 different employees.	One employee submitted login credentials to a phishing email, and 2 others submitted their credentials during telephone calls.	Each employee was counseled and reminded of their responsibilities, as well as put on notice that any future infractions would result in disciplinary action.	Rene Ralston, Lee Cockrell, Jan Harvey	Immediately
--	---	--	---	--	-------------

TAC 202 Compliance – Quarterly Update (21-009A)	1.	4 more controls were identified as being implemented.			
--	----	---	--	--	--

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Audit of Police Evidence Room (22-018A)	1.	No findings identified.			
Surprise Cash Counts - West Texas Campuses (22-017A)	1.	No findings identified.			
Surprise Cash Counts - Waco Campus (22-017A)	1.	No findings identified.			
Surprise Cash Counts - Fort Bend Campus (22-017A)	1.	No findings identified.			
Surprise Cash Counts - Marshall Campus (22-017A)	1.	No findings identified.			
Surprise Cash Counts - North Texas Campus (22-017A)	1.	No findings identified.			

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
Report on Compliance with the Public Fund Investment act by the State Auditor's Office	1.	Substantially Compliant with the Act, Fully Compliant with Rider 5.			

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

Completion Summary			
	3/31/22	6/30/22	Audits cleared from (Added to) Schedule
Audits from FY 2017 & Earlier	4	3	1
Audits from FY 2018	1	1	0
Audits from FY 2020	1	1	0
Audits from FY 2021	5	3	2
Audits from FY 2022	4	8	(4)
Net Total	15	16	(1)

Highlights:

TAC 202 Audits: 4 more control was implemented.
PCI Audit: 1 more control was implemented.
Financial Processes Audit : 1 corrective action was completed.
Audit of Accounts Receivable (21-0025A): Final corrective action was completed.
Academic Records Management Audit (22-005A): One corrective actions was implemented. 1 corrective action was pending review.
Dental Hygiene Investigation (22-027I): All corrective actions were implemented.
Internal Network Penetration Test (22-031A) - North Texas: All issues were corrected during the audit.

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: 1.1 SPA is no longer used as of 9/30/2021; 1.2 Training has been developed and is being rolled out in July. This training is Workday relevant. 1.3 Workday was implemented in April 2022, with all fixed assets being loaded an assigned to their respective stewards. Each steward can easily see what assets are assigned to them. 1.4. The CIAG Committee meets periodically to discuss missing assets, the reasons, and to decide steps for accountability. The last discussion was held on 6/23/22. Procurement Services and Internal Audit are partnering to develop a process where 1/3 of all recorded assets will be observed at least annually. Internal Audit has an audit scheduled for FY 2023, and begin submitting progress reports each quarter.		1.1 Complete, 1.2 Substantially Complete, 1.3 Complete, 1.4 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
TAC \$202 Compliance Audits 22-004A, 22-021A, 22-022A, 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 6/30/22, 11 systems and the IT general controls have been audited. A total of 0 general controls and 15 (total for all systems audited) application controls were not yet implemented. In this quarter, 4 controls were improved to implemented status, with 2 having the risk accepted.		Ongoing
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 7/5/22, only 37 controls were still in the process of being implemented for the Waco and Harlingen Cafeterias.		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
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 6/21/22, the Airport was working on a new lease with L3 for 20 additional acres that would include the boneyard area. This was originally expected to be presented to BOR at their May 2022 meeting for review and approval. However, it was not ready in time. Airport Management is working on the MO to be presented at the August BOR meeting. Also, FAA/TxDot review and approval process has been initiated for the L3 Hanger Project that would occupy this area.		12/30/2020 8/31/22
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.	Substantially Complete: At 6/30/22, Accounting was in the process of transferring all remaining funds to the Foundation.		2/28/22

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
Faculty Credentialed 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 6/21/22, John DeLeon indicated a new faculty credentialing specialist has not yet been hired. Nicki Cone is still assisting with the SPOL implementation process. Mr. DeLeon feels they are on pace to meet the July 31, 2022, target deadline, though.		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

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
--	--	------------------------	-------------------------------	--	---------------------------

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.	1.2 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.	Pending Review		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

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 Online Learning (22-002A), Cano-Monreal	1. A defined set of training expectations for instructors would enhance the likelihood that Online and Hybrid courses meet TSTC's desired quality standards. Currently, there is no formulated set of required training(s).	1.1 SOS ES 2.20 is currently under revision and review in the College's SOS Management system to be finalized by August 2022. The updated statement regarding training standards will read that completion of training is encouraged, rather than required. The Online Learning Department works with TSTC's Learning and Development Office to provide training every Friday focused on online instruction best practices. Training sessions are recorded and housed in the College's learning management system for faculty to view and complete an activity for credit, if they cannot attend a live session. Attendance at a session (verified by signing in at the event) or completion of the activity at the end of the recorded version are used to track faculty training completion.	Ongoing		8/31/22
Annual Contract Audit (22-028A), Pritchett, Vogelsinger	1. Performance monitoring for both lawn maintenance contracts need to be improved to ensure insurance and background checks requirements are met, as well as to ensure invoices submitted by one vendor includes only allowable charges.	1.1 By August 1, 2022, an amendment to clarify the scope and payments for the Griffith Hall lawn area will be completed.	Ongoing		8/1/22

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
		1.2 By August 1, 2022, the vendor contract manager will perform a second review of all past and future invoices, creating a credit for any past clerical errors and preventing any future errors. By August 1, 2022, Terry Pritchett, Senior Executive Director - Facilities, will provide training to department staff who are responsible for reviewing invoices.			8/1/22
		1.3 By August 1, 2022, Facilities will gather required insurance certificates and background check verifications from both vendors reviewed in the audit. In addition, a joint effort by Facilities, Risk Management, and Contract Administration will create and implement a new process for monitoring insurance coverage and background checks for higher- risk facilities contracts.			8/1/22
Payment Fraud Investigation (22-019I), Boykin	1. The direct deposit of \$87,400 to a Capital One account was a crime perpetrated through a "Man in the Middle" scam in which the thief inserted himself into a legitimate email thread posing as the vendor's employee whom TSTC personnel had worked with in the past.	1.1 Procurement staff will attend mandatory quarterly training sessions administered through TSTC's training division. Training will include cyber security information provided by TSTC's Office of Information Technology.	Pending Review: IA is aware training has been conducted. We will verify it is ongoing progress by following up in Fall 2022.		5/1/22

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
		1.2 TSC is in the final stages of contracting with a third-party provider to outsource supplier identity verification. Leadership expects to shift this workflow around June 1, 2022, transferring the risk of business payment fraud to the third-party provider.	Pending Review: IA is aware that the shift to a third party has been initiated. Similar to 1.1, we will review the situation in Fall 2022 to ascertain how well the new process is operating.		6/1/22



Internal Audit Department

Audit Report

Texas Workforce Commission Server Audit (22-022A) **TEXAS STATE TECHNICAL COLLEGE**

May 16, 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 completed an integrated audit of the contract and related amendments that the College has with Texas Workforce Commission (TWC) to access employment related data they maintain. This data is used by the College to assist in decision making related to its funding formula. The purpose of this audit was to verify compliance to that contract and compliance to TAC 202.

We verified system access, periodic maintenance, training, audit logs, and baseline configurations. We also tested controls related to access, security awareness and training, audit and accountability safeguards, configuration management, and contingency planning. Finally, we tested media protection, risk assessment, planning, and purchasing processes, as well as system integrity.

We found that the College is both complying with the requirements in the contract and has secured the data afforded through the contract by implementing the majority of the controls required by TAC 202. We did identify 8 required TAC 202 controls that need to be strengthened. The following table summarizes the required TAC 202 controls we reviewed, and our results:

Control Family	Implemented	Implemented with Recommendations	Not Implemented
Access Controls	7	1	1
Awareness and Training Controls	2	0	1
Audit and Accountability Controls	7	1	1
Configuration Management	4	0	0
Contingency Planning Controls	2	2	1
Identification and Authentication Controls	3	0	2
Maintenance Controls	2	0	0
Media Protection Controls	1	0	0
Physical Environmental Protection Controls	1	0	0
Personnel Security Controls	2	0	2
Risk Assessment Controls	1	0	0
System and Services Acquisition Controls	2	0	0

System and Communications Protection Controls	3	0	0
System and Information Integrity Controls	2	0	0
Total	39	4	8

We also tested 2 controls that were not required, but felt prudent. One was implemented, the other was not.

Introduction

Contract number 2918PEB000 began on September 1, 2017 and is set to terminate on August 31, 2022. Amendments were executed on May 1, 2020, and January 1, 2021. The contract grants the College access to wage and employment records maintained by the TWC. The contract requires the College to pay up to \$24,988.00 over the contract term to allow up to 10 access to the data. Key provisions are stated Attachment B of the contract. Attachment requires specific data security safeguards be maintained, to include how the data may be accessed, used, and stored. Any person with access to the data who inappropriately uses or discloses the data obtained through the contract is subject to Class A misdemeanor carrying a fine up to \$4,000 and a year in jail. The implementation of TAC 202 controls accomplishes these requirements.

Attachment H of the contract requires a quarterly Self-Assessment Report signed by the person who executed the contract be submitted to TWC. The Self-Assessment Report requires attestation to the implementation and effectiveness of the safeguards required by Attachment B.

The contract is managed by the Business Intelligence office, with the CFO currently being the contact person. Given the sensitive nature of the information provided by the TWC, Business Intelligence has historically managed several aspects of the required security aspects, with the Office of Information Technology (OIT) limiting its role to server maintenance and other TAC 202 controls.

All data obtained from the TWC is stored on a virtual server housed in the data center located on the Waco campus. Currently, there are 8 College employees who have access to the server where the downloaded data is stored. Three of those employees work within the Business Intelligence Department. These individuals who actually access the data to assist with analysis and decision making. The 5 other employees are work for OIT, and server in server administrator roles. None of the people in OIT access the data, nor have a legitimate need to access it. But their access to the server technically presents that opportunity. Server logs would assist with identifying any inappropriate access. In the course of this audit, we did not identify any inappropriate access.

Objectives

The objectives of the audit were to ensure the safeguards of Attachment B of the contract are met through implementation of TAC 202 minimally required application level controls, and that other contract requirements are met.

Scope & Methodology

The scope of our audit included all processes and procedures currently in place at the time of this audit related to accessing, using and storing data provided through the contract. Attachments B and H were used as the basis of the contractual requirements we verified, and the implementation of the minimally required TAC 202 application controls served as the foundation for achieving these requirements.

General Observations

Access is managed through an approval process where the contact person responsible for signing Attachment H is the only individual authorized to approve access to the TWC data. Evidence of access is maintained by signed access authorization forms. The information system notifies users of confidentiality prior to allowing access to the data. Passwords are masked upon entry and, accounts are locked after a defined number of unsuccessful login attempts. Audit logs for the information system are sufficient to provide information relating to access, and Business Intelligence has implemented a written log each time an authorized employee accesses the data. Backups are regularly run. Cryptographic protection of access to the server is above the required 128-bit requirement. Physical access to the server is monitored, and logs are stored with who and when physical access to the data center occurred. Finally the server operates in a least functionality process only allowing two users at any point in time to access to the server.

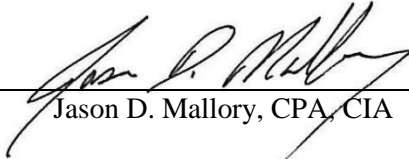
Summary of Findings

We identified 8 of the 51 required TAC 202 controls that still need to be implemented. The implementation/strengthening of these will provide further confidence that the confidential data provided by the contract is secure.

Opinion

Based on the audit work performed, the College is complying with Contract number 2918PEB000 between itself and TWC. Specifically, data provided through that contract is secured as required. However, there are 8 required TAC 202 controls related to the server where the downloaded data is stored that need to be implemented/strengthened. The controls are not detailed in this report to limit risk associated with publishing specific areas needing attention, but details are available upon request. We would like to extend our appreciation for the time and assistance given by management and employees during this audit.

Submitted by:



Jason D. Mallory, CPA, CIA

May 16, 2022
Date

AUDIT FINDING DETAIL

Finding #1: We identified 8 of the 51 required TAC 202 controls that still need to be implemented. The implementation/strengthening of these will provide further confidence that the confidential data provided by the contract is secure.

Criterion: The TAC 202 Security Controls Standard Catalog specifies the minimum information security controls to implement for all State information and information systems. For each required control, Internal Audit inquired and reviewed policies and procedures, users' access roles and privileges, security settings, etc. We also verified requirements of the contract were being met by mapping these requirements to TAC 202 controls.

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

Control Family	Not Implemented
Access Controls	1
Awareness and Training Controls	1
Audit and Accountability Controls	1
Configuration Management	0
Contingency Planning Controls	1
Identification and Authentication Controls	2
Maintenance Controls	0
Media Protection Controls	0
Physical Environmental Protection Controls	0
Personnel Security Controls	2
Risk Assessment Controls	0
System and Services Acquisition Controls	0
Total	8

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

Possible Solutions: We recommend the 8 missing controls be implemented, with immediate attention being given to the controls related to access, awareness and training, and personnel security.

Management Response

Management of the Finance and Business Intelligence department agrees with the observations and recommendations made in this audit. The controls found to need improvement were the result of a transition in leadership and lack of clarity around roles and responsibilities. By April 27, 2022, the missing access, identification and authentication, and personnel security controls will be addressed through additional implementation of signed access forms and awareness training for all personnel with access to the server where the related data resides. A similar review of access and training will be performed annually by March 1 of each year. For the audit and accountability and contingency planning controls, we will work with OIT to ensure those controls are improved or the risk accepted. Bill Holifield, Senior Manager of Data Management will be responsible for implementation of this corrective action plan



Internal Audit Department

Audit Report

Application Audit of Canvas (22-021A) TEXAS STATE TECHNICAL COLLEGE

May 20, 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 completed an audit of the Canvas application as of March 31, 2022. The Canvas application (Canvas) is a cloud-based Internet accessible learning management system that can be accessed 24/7 through any internet-connected device like a smartphone, tablet, laptop or desktop so that users can use it anywhere and anytime. Canvas is provided by Instructure. Our audit focused on application controls required in Texas Administrative Code 202 (TAC 202). Fifty-three controls in 14 TAC domains were tested. We verified controls related to access, security awareness and training, audit and accountability safeguards, configuration management, and contingency planning. We also tested media protection, risk assessment and purchasing processes, as well as system integrity. While Canvas was being used at the time of this audit, it was still considered as being in the implementation phase. Management in the Office of Information Technology was receptive to the results of this audit to help ensure all required controls are implemented prior to the application being considered fully implemented.

The majority of the controls required by TAC 202 have been implemented. We identified 6 controls that still need to either be implemented, or improved, for this system. We feel these issues warrant comment in this report to ensure future follow-up testing and correction. The following table summarizes the areas reviewed, and results:

Control Family	Implemented	Implemented with Recommendations	Not Implemented	Required
Access Controls	5	2	2	9
Awareness and Training Controls	1	2	0	3
Audit and Accountability Controls	7	2	0	9
Configuration Management	4	0	0	4
Contingency Planning Controls	6	0	0	6
Identification and Authentication Controls	4	0	1	5
Maintenance Controls	2	0	0	2
Media Protection Controls	1	0	0	1
Planning	0	1	0	1
Personnel Security Controls	1	0	3	4

Risk Assessment Controls	0	1	0	1
System and Services Acquisition Controls	1	1	0	2
System and Communications Protection Controls	4	0	0	4
System and Information Integrity Controls	1	1	0	2
Total	37	10	6	53

We also tested 2 additional controls that are currently not required but would add additional security if implemented. The controls were not implemented.

Introduction

Seven instructional programs implemented Canvas as a pilot program in Fall 2021, with full implementation being anticipated for Fall 2022. Canvas will be the sole learning management system relied upon to conduct remote learning. It integrates with Colleague. There are over 4,500 end users currently (employees and students) and 3 system administrators. It was purchased for \$52 thousand.

Canvas gives students the flexibility to learn online at their own pace. All course related information, communication, and resources are in one place. Instructors can see the students' progress in a course. In addition, the students can also see their grades and track their progress.

Objectives

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

Scope & Methodology

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

General Observations

Because Canvas is hosted in the cloud by Instructure and delivered over the internet, the College does not have to maintain server hardware or software, patches, or disaster recovery as this is a

responsibility of Instructure. The College relies on Instructure for the majority of the TAC 202 controls.

Summary of Findings

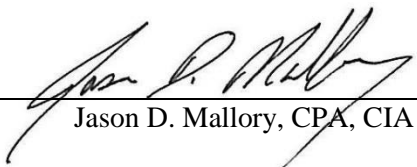
We identified 6 of the 53 required controls that still need to be either implemented or substantially improved. The controls needing improvement primarily to access.

Opinion

Based on the audit work performed, only 6 required controls still either need to be implemented or improved for the Canvas application. Since the Canvas application integrates with Colleague where sensitive student and employee information is housed, we recommend controls associated with access be given first priority. The controls are not detailed in this report to limit risk associated with publishing specific areas needing attention, but details are available upon request.

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

Submitted by:



Jason D. Mallory, CPA, CIA

May 20, 2022

Date

AUDIT FINDING DETAIL

Finding #1: We identified 6 of the 53 required controls that still need to be either implemented or substantially improved. The controls needing improvement primarily to access.

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

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

Control Family	Not Implemented
Access Controls	2
Awareness and Training Controls	0
Audit and Accountability Controls	0
Configuration Management	0
Contingency Planning Controls	0
Identification and Authentication Controls	1
Maintenance Controls	0
Media Protection Controls	0
Planning	0
Personnel Security Controls	3
Risk Assessment Controls	0
System and Services Acquisition Controls	0
System and Communications Protection Controls	0
System and Information Integrity Controls	0
Total	6

Consequences: Being out of compliance with TAC 202 controls decreases security, integrity, and reliability of the system.

Possible Solutions: We recommend the 6 missing controls be implemented.

Management Response

AC-2/AC-5/PS-5/PS-6/PS-7

Management of OIT agrees with the issues related to access. Systems are implemented in phased stages, with access being refined before the system moves into full production. In Fall 2022,

Canvas will be the only learning management system being used, and will be considered fully in production. The access issues that were noted in this audit were a result of some access controls not yet being fully implemented due to the phase of implementation. By September 1, 2022, OIT will refine access by verifying access by employees outside of instruction and vendors is still appropriate. We will also implement an authorization process for these same persons before access is granted. For instructor and student accesses, the ILP process will still be relied upon. Access logs will continue to be relied upon as compensating controls for specific functions within Canvas roles that seem incongruent with the overall role purpose. Larry McKee, Executive Director -OIT Compliance, will be responsible for ensuring these improvements are made.

IA-5

Management of OIT agrees with the observation that allowable password configurations for the system do not comply with standards outlined in College policy. The reason for this is system access is tied to a single sign-on which does not enforce the current configuration requirement. We are in the process of implementing Okta which will allow for the password configuration standard to be enforced on all systems. This will be implemented by June, 30 2022. Larry McKee, Executive Director -OIT Compliance, will be responsible for ensuring these improvements are made.



Internal Audit Department

Audit Report

Audit of Online Learning (22-002A)

TEXAS STATE TECHNICAL COLLEGE

June 6, 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 completed an audit of online learning. The primary objective of this audit was to ensure controls and processes were in place to ensure the College's online education is as at least as high quality as its traditional face to face instruction.

To accomplish this objective, we verified the processes and internal controls relied upon to transition programs online. We performed data analytics, reviewed faculty and student training, analyzed the results of end of course surveys provided by students, and similarly analyzed the results of a survey instructors who recently taught online courses completed. For the Fall 2021 semester, we tested 5 programs taught completely online (Online) and 5 programs that were delivered through a combination of online and face-to face instruction (Hybrid). We also utilized additional data dating to the Spring 2020 semester.

We determined that the College migrated courses in all instructional programs to an Online or Hybrid delivery format in Spring 2020 due to the pandemic. A gradual, planned implementation was intended, but the pandemic changed those plans. That experience, though, provided lessons for a more controlled migration in the semesters that followed.

We found all Online and Hybrid courses are subjected to quality controls to ensure employability outcomes and educational quality are achieved. Applicable controls include a written policy which considers accreditation standards, and course content being developed through a collaborative effort between instructors and instructional designers who consider the unique complexities of online instruction. End of course student surveys are also sent to students to identify potential improvements, and a single learning management system will be utilized beginning in the Fall 2022 semester which will help with consistency in delivery between programs. In our analysis of trends in student persistence, enrollment, withdraw rates, and pass/fail rates, we identified areas where some programs have been more successful than others. In a separate management letter, we shared our analysis with management to consider implementing similar data analyses each semester to identify trends that could further assist with quality improvement.

We noted one observation we felt warranted comment in this report. While training and tools are made available to instructors to assist them in successfully delivering online instruction, there is not a specific set of trainings required. This is detailed in Finding #1. We feel a defined set of training expectations would enhance the likelihood that Online and Hybrid courses meet TSTC's desired quality standards.

Introduction

Instructional leadership prior to 2020 developed a plan to implement Performance Based Education (PBE). This strategy is aimed at allowing students to progress through a program at their own pace by demonstrating their individual comprehension of required skills in the various instructional programs. Online learning, either fully or in a blended environment, was a planned mode of instruction in that transition. That plan for implementing PBE included a gradual

transition by grouping instructional programs into one of 4 separate tiers, with each tier having a scheduled implementation and phase-in period. The first tier included 6 programs, with the *planned* implementation period beginning in the Fall 2021 semester.

The pandemic and the need to work and learn remotely unexpectedly changed the plans and timeline. While Online learning was intended to be a part of the PBE transition, it became a necessity during the pandemic outside of PBE. In some ways, the need to transition online so quickly presented an opportunity to quickly identify the benefits and drawbacks to this mode of education that may otherwise have taken years to realize. The 6 programs in the first tier that were originally slated for PBE implementation in Fall 2021 were actually in Online mode by the Summer 2020 semester.

Prior to March 2020, programs and courses utilized a very structured online course development and approval workflow. This proposal was submitted to and reviewed by the Office of Online Learning. A course developer worked with a designated instructional designer where the course was first reviewed by leadership. The pandemic required this process to be modified and accelerate their intended pace. Instead, because some programs were already in the process of transitioning to PBE, those procedures continued; for other programs, updated guidelines in the Instructional Continuity Plan were utilized which provided instructors guidelines to transitioning course material to an Online or Hybrid. The pandemic also caused resources to be rearranged, where needed.

Every enrolled student at the date of this report now participates in Online and/or Hybrid instruction. Before March 2020, TSTC offered online courses in only 6 programs of instruction. Four AAS awards were available entirely online. In fiscal year 2022, Online programs and certificates offerings increased to 34 AAS degrees and certificates, with 80 Hybrid AAS degrees and certificates also being made available.

The Office of Online Learning is responsible for the overall operations of Student Learning and faculty and student matters for online programs, which is managed by a Vice President. This Office receives support from the Student Learning Division and works with a team of instructional designers and technologists.

Objectives

The primary objective of this audit was to verify the controls and processes for ensuring the quality and College's online education.

Scope & Methodology

The scope of our audit included a sample of Online and Hybrid programs from the Fall 2021 semester, with some additional data being used from the Spring 2020 semester. To accomplish our objectives, we analyzed student specific data, reviewed student and instructor responses on surveys, tested training quality and completion rates, and verified the processes for ensuring course

content was relevant and of high quality. We utilized SOS 2.20 Distance Education as guidance in our testwork.

General Observations

At the beginning of the pandemic, several departments worked tirelessly to transition face to face courses to Online or Hybrid, including the Office of Online Learning, Instructional Designers, Instructional Administration and countless faculty. As the transition to PBE continues, these same departments and employees are still integral to the success of Online and Hybrid delivery and quality. The TSTC Instructional Continuity Plan was updated to include emergency online course transition guidelines, and a single learning management system will be utilized beginning in the Fall 2022 semester.

Summary of Findings

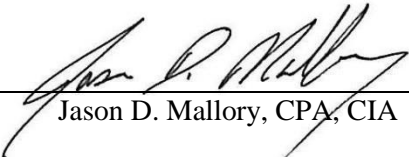
A defined set of training expectations for instructors would enhance the likelihood that Online and Hybrid courses meet TSTC's desired quality standards. Currently, there is no formulated set of required training(s).

Opinion

Based on the audit work performed, the College has controls and processes for ensuring the quality of online education. Those processes are being refined as the College becomes more experienced with this form of instructional delivery.

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

Submitted by:



Jason D. Mallory, CPA, CIA

June 6, 2022

Date

AUDIT FINDING DETAIL

Finding #1: A defined set of training expectations for instructors would enhance the likelihood that Online and Hybrid courses meet TSTC's desired quality standards. Currently, there is no formulated set of required training(s).

Criterion: SOS ES 2.20 Online Learning states faculty who have not previously developed or taught online classes must complete training. Specific training(s) is not stated, however.

We reviewed 117 faculty training records in TSTC's Professional Development Tracking Reporting system from Spring 2020 to Spring 2022 to determine if additional training was taken for new online faculty. While there were numerous training opportunities available, there was no consistency in the courses that the faculty were completing. We found 37 instructors did not have any training documented.

There were 80 instructors who completed at least 1 training. Of those, the number of trainings ranged from 1 to 19, with the average number of trainings per these 80 faculty being almost 5.

Consequences: Inconsistent understanding of expectations for Online instructional delivery.

Possible Solutions: Specifically define required training standards in SOS ES 2.20 Online Learning, and track completion.

Management Response

Management of the Online Learning Department agrees with the observations made in this audit. The current statement in SOS ES 2.20 states faculty who have not previously developed or taught online classes must complete training, but specific training(s) is not stated/provided. Prior to the COVID response, the processes that were followed for online course development and approval allowed for implementation and requirement of the Basics of Online Teaching training during the course development process. With the rapid transition of programs to the online environment, these processes were not possible. SOS ES 2.20 is currently under revision and review in the College's SOS Management system to be finalized by August 2022. The updated statement regarding training standards will read that completion of training is encouraged, rather than required. The Online Learning Department works with TSTC's Learning and Development Office to provide training every Friday focused on online instruction best practices. Training sessions are recorded and housed in the College's learning management system for faculty to view and complete an activity for credit, if they cannot attend a live session. Attendance at a session (verified by signing in at the event) or completion of the activity at the end of the recorded version are used to track faculty training completion. Gina Cano-Monreal will be responsible for implementation of the corrective action via the updated SOS.



Internal Audit Department

Audit Report

Annual Contract Audit (22-028A)

TEXAS STATE TECHNICAL COLLEGE

June 8, 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 completed an audit of contract compliance associated with grounds maintenance on the Waco Campus. There are two contracts related to grounds maintenance: a \$700,000 contract awarded to Lewis Land Management, and a \$660,747 contract awarded to Unity Contractor Services. The primary purpose of this audit was to verify compliance to the requirements of TEC §51.9337 added by SB 20 of the 84th Legislature, as well as compliance to the processes and requirements stated in the College's Contract Management Handbook (Handbook). Additionally, we verified compliance to certain contract requirements.

We verified that authorized persons within the College executed each contract, and that competitive and fair selection processes were utilized. We verified other requirements were met for each contract, to include, evidence that no conflict of interest existed between the persons executing the contracts and each vendor, appropriate training of these employees engaging in the contracting process, regulatory reporting was met, and other necessary procedural type steps were taken. Lastly, we verified that certain requirements in each contract are being met, to include the agreed upon services are being performed, amounts paid are allowable, insurance requirements are met, and background checks were performed on the vendor's employees.

We found that both contracts complied with the rules stated in TEC §51.9337 and the Handbook. The contracts were approved by the appropriate level of authority, contract checklists were completed, competitive bid processes were properly performed, and the people engaged in the contracting process were generally trained.

Regarding our testing on specific requirements within each contract, we determined that the agreed upon services are being performed. However, we identified over billings from one vendor, and a lack of documentation to evidence insurance requirements were met and background checks were performed for both vendors. These exceptions led us to conclude that certain aspects of performance monitoring need to be improved to ensure the College's interests are reasonably protected.

Introduction

During the solicitation phase for lawn maintenance, the campus was divided into three different zones, based on the type of work required and the equipment needed to complete the requested services. In summary, two of the zones consist of the existing fields on the campus and around the housing that was being demolished, with the other zone encompassing the landscaping around academic buildings and remaining campus housing. The bids were based on the zone(s) being considered. Two contracts were awarded. Lewis Land Management was awarded the contract for the two zones that included the fields. That contract was executed on September 30, 2021, for a total value of \$700,000, with a period of one year ending on October 1, 2022. The other contract related to landscaping and mowing around the facilities was awarded to Unity Contract Services. That contract was executed on October 5, 2021 for a one-year period as well, with two 1-year renewal periods. The original contract ends on October 1, 2022, as well. It has a total value of

\$660,747. The Senior Executive Director of Facilities within Physical Plant and the Director of Family Housing monitors the services provided.

For compliance, TEC §51.9337 requires that a contract review procedure/checklist be reviewed and approved by legal counsel, policies governing contracting authority be approved by the Board, and an annual assessment by the chief internal auditor be performed to determine whether the institution has adopted the rules and policies required by this section. Additionally, Statewide Operating Standard (SOS) FA 1.16 Purchasing Authority and FA 4.4 Contract Administration outlines the purchasing and contract requirements, referencing SB20 requirements and other required processes in the Handbook. The Handbook includes ethical standards and policies, contract formation and administration.

The Office of Contract Administration (OCA) maintains the depository of all contracts, and assists with procuring contracted services. They are instrumental in ensuring all compliance aspects of contracts are achieved. They have implemented the Resolution application, a contract management software that controls the workflow of solicitations of contracts, and acts as a central repository for related contract documents. OCA includes an Executive Director, four Contract Managers, and a Project Manager, and are overseen by the Executive VP of Procurement.

Objectives

For both contracts, the objectives of the audit were to:

- Verify compliance to TEC §51.9337, internal policy, the Handbook, and the contract review checklist.
- Verify performance certain requirements are being met. For these contracts, those requirements were essentially quality/frequency of landscaping and mowing services, amounts paid to each vendor, insurance requirements, and monitoring of background checks.

Scope & Methodology

The scope of our audit included the Lewis Land Management contract executed on September 30, 2021, the Unity Contractor Services contract executed on October 5, 2021, and all transactions related to those two contracts between October 2021 to March 2022. Our methodology consisted of verifying requirements stated in TEC §51.9337, SOS FA 1.16 Purchasing Authority and FA 4.4 Contract Administration were met in the execution and performance of these contracts. Training and conflict of interest disclosures of persons involved in these contracts were also tested. The Handbook and contracting review checklist were included in our testing as were other documents specified in the guidance that we used as a basis for the audit. To accomplish our objectives, we reviewed the contracts, and verified the appropriate documents, approvals, and training were in place. We also verified agreed upon services are being performed and allowable rates charged by each vendor, and that all required insurance and background checks have been obtained.

General Observations

OCA has implemented the Rsolution application which acts as a depository of all contracts, and related documentation. All documents related to the solicitation event, contract, and any amendments are maintained within the application. Rsolution also documents the process of bid evaluation, internal notes, supplier responses, and award notifications. The OCA is working on expanding the features utilized by Rsolution to include collecting and monitoring insurance requirements on contracts.

The Physical Plant oversees the day-to-day monitoring of the contracts and the vendors performance. They were helpful in gathering information related to the contracts, as well as assisting in researching observations discussed in the finding section.

Summary of Finding

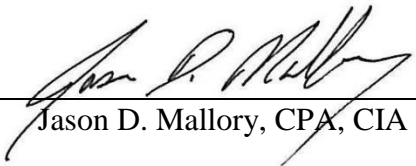
Performance monitoring for both lawn maintenance contracts need to be improved to ensure insurance and background checks requirements are met, as well as to ensure invoices submitted by one vendor includes only allowable charges.

Opinion

Based on the audit work performed, the contracting with Lewis Land Management and Unity Contractor Services contracts complied with requirements in TEC §51.9337 and the Contracting Handbook. The vendors are providing services they agreed to provide, however, billing, insurance and background checks need to be better monitored going forward.

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

Submitted by:



Jason D. Mallory, CPA, CIA

June 8, 2022

Date

AUDIT FINDING DETAIL

Finding #1: Performance monitoring for both lawn maintenance contracts need to be improved to ensure insurance and background checks requirements are met, as well as to ensure invoices submitted by one vendor includes only allowable charges.

Criterion: We reviewed and tested select requirements within each contract to ensure they are being met. Specifically, we verified the appropriate lawn services are being performed, invoice amounts paid are allowable by the contracts, insurance certificates are on file, and required background checks have been performed. Additionally, we reviewed services that were performed to identify any questionable charges.

Overall, both vendors are providing quality services in accordance to the contracts. But we did identify the following that need to be addressed, and monitored going forward.

There is a discrepancy with one vendor regarding services provided at Griffith Hall. The written contract as read by Internal Audit includes services around Griffith Hall. The vendor asserts that their proposal did not include work around the dormitory because it was not yet completed. They indicated they had a verbal agreement with a former Building Maintenance Supervisor to bill for additional services. This discrepancy has created an additional \$10,010 paid by the College beyond what the contract appears to allow.

This same vendor also overbilled the College \$1,260 for fire ant control services at a rate that was more than the contract allows. They acknowledged this as an error.

Neither vendor has been required to provide evidence of insurance and background checks of their employees. As such, we cannot give any assurances that these requirements are being met, and the associated risks being reasonably controlled.

Consequences: Over payment of contracted amounts, unnecessary costs associated with insurable events, possible unallowable persons on campus.

Possible Solutions: We recommend first discussing the billing observations with Legal counsel to identify an appropriate solution. We recommend all required insurance and background checks be obtained. And finally, we recommend these provisions be closely monitored going forward.

Management Response

Managers with the Facilities and Contract Administration agree with the observations made in the audit. The discrepancy involving Griffith Hall was the result of the lack of a formal contract amendment once Griffith Hall construction was completed. By August 1, 2022, an amendment to clarify the scope and payments for the Griffith Hall lawn area will be completed. Terry

Pritchett, Senior Executive Director - Facilities, will be responsible for implementation of this corrective action plan.

The discrepancy involving the overbilling of fire ant control services was the result of a vendor clerical error and Facilities invoice review. By August 1, 2022, the vendor contract manager will perform a second review of all past and future invoices, creating a credit for any past clerical errors and preventing any future errors. By August 1, 2022, Terry Pritchett, Senior Executive Director - Facilities, will provide training to department staff who are responsible for reviewing invoices. The training will prevent future overpayments and chemical application concerns. Terry Pritchett, Senior Executive Director - Facilities, will be responsible for implementation of this corrective action plan.

By August 1, 2022, Facilities will gather required insurance certificates and background check verifications from both vendors reviewed in the audit. Terry Pritchett, Senior Executive Director, will be responsible for implementation of this corrective action plan. In addition, a joint effort by Facilities, Risk Management, and Contract Administration will create and implement a new process for monitoring insurance coverage and background checks for higher-risk Facilities contracts. Eric Vogelsinger, Executive Director - Contract Administration, will be responsible for leading this corrective action plan.



Internal Audit Department

Audit Report

Internal Network Penetration Test (22-031A) **TEXAS STATE TECHNICAL COLLEGE** **North Texas Campus**

June 9, 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

Between April 18, 2022 and May 4, 2022 we performed vulnerability scans and penetration testing of the College's internal network on the North Texas Campus.

The primary objective of this project was to ensure sensitive information stored and processed by primary systems, and systems directly supporting the confidentiality, integrity, and accessibility of those systems, have controls in place to detect and prevent attacks from unauthorized individuals on the campuses. Physical and logical security controls, to include the actions and habits of personnel, were targeted in this project. Unlike the test we conducted in FY 2019, we selectively sampled employees with probable access to sensitive data using our knowledge of internal information. In our FY 2019 test, we relied solely upon public information we collected through the internet.

We tested end user training effectiveness (known as social engineering) by calling and sending emails to select individuals requesting sensitive information that would never legitimately be sought. We attempted to access areas that should be restricted to identify sensitive information or assets that could be pilfered. We attempted to gain access to privileged systems and information by scanning the network to identify control flaws, tested wireless access points, and searched for available ports connected to the internal network that we could plug in to, and we attempted to access computers available to the public to determine whether we could potentially access sensitive information. Finally, we verified personnel completed Information Security Awareness Training within the last 3 fiscal years. Both manual and automated testing methods were used to detect and/or exploit potential vulnerabilities. Industry standards noted in the Scope & Methodology section of this report served as our basis.

Our results indicated an improvement over access to sensitive information since our last test. Employees on campus were aware of students/staff coming in and out of the Jim Pitts Building. Our email and telephone phishing attempts on 26 employees that were selectively targeted were largely unsuccessful, and we were unable to compromise the same employees who provided log on credentials during the previous test. Most employees selected for our social engineering attempts demonstrated an alertness to potential scams during our telephone call attempts. The Colleges open wireless connection was segregated from the internal network while other available connections required user authentication before granting access, and we did not find any buildings left unlocked after hours. Cybersecurity training required annually is being completed by most of the employees we selected during our testing.

We were able to obtain user IDs and passwords to the Portal from 3 individuals through our phishing emails telephone calls.

Introduction

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

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

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

With remote work still ongoing and shifts in instructional delivery, there were fewer employees/students on the campus. Fewer people decreased the likelihood of risks related to behavioral lapses that could occur. Many of the rooms and areas on the North Texas Campus were restricted or closed. The learning resource center was closed along with other areas where public computer access is granted.

Objectives

The objectives of the internal network penetration test were to:

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

This test was not intended to verify all risks the campus may face during an attack. Instead we focused on targeted employees and likely scenarios based upon the information we gathered during our testing.

Scope & Methodology

The scope of the penetration test included the physical and logical securities of core network equipment, access network equipment, and networking closets located on the North Texas Campus. It also included employee behavior, especially their awareness and vigilance against potential related attacks that compromise IT systems and sensitive data. The following industry standards served as our methodology:

- IS Benchmarks - Baseline Configurations for Secure Operating System and Application Deployment
- NIST Configuration Baselines - Baseline Configurations for Secure Operating System and Application Deployment
- NIST 800-53 - Security and Privacy Controls for Federal Information Systems and Organizations
- NIST 800-115 - Technical Guide to Information Security Testing and Assessment

To accomplish our objectives, we sent emails and made telephone calls requesting logon credentials to the Portal to 26 employees who have access to sensitive information through the Portal. From the same users selected in our social engineering attempts we requested Information Security training grades for fiscal years 2019, 2020, and 2021. We visited the North Texas Campus and attempted to access areas that should be locked, scanned networks, tested open ports in buildings, and ascertained employee awareness of our presence.

General Observations

Our social engineering attempts were largely unsuccessful. During our attempted telephone calls most users were aware of possible threats and scams, and closely protected their credentials to the Portal application. One previous user who failed our 2019 social engineering attempt did not make the same error in this test.

Wireless networks were segregated between privileged and guest accounts, and we were unable to scan for other computers on the open wireless network. Services available on both the guest and internal wireless networks were appropriate. Wireless access points did not emit signals outside of the physical perimeters of the originating buildings. Staff on campus demonstrated security awareness when walking away from their offices or when going to lunch. Computers were locked and there was no sensitive information left unattended in restricted areas as previously identified in FY 2019. Access to closets containing networking equipment were locked, as were faculty offices. Open ports in classrooms were disabled not allowing an active connection to the network. The building was inaccessible after business hours. Finally, public computers in common areas were restricted.

Summary of Finding

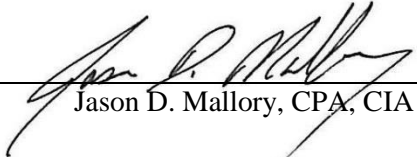
We were able to obtain logon credentials to the Portal application from 3 employees.

Opinion

Based on the audit work performed, assets and sensitive information are generally well protected on the campus in North Texas. The few deficiencies we identified can be easily remediated through personal reminders of risks and associated responsibilities of the employees by management.

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

Submitted by:



Jason D. Mallory, CPA, CIA

June 9, 2022
Date

AUDIT FINDING DETAIL

Finding #1: We were able to obtain logon credentials to the Portal application from 3 different employees.

Criterion: We made telephone calls and sent emails to a sample of employees on the North Texas campus in an attempt to obtain their logon credentials to the Portal. We made an unannounced visit to the North Texas Campus to determine what areas and information we could access that should be restricted. We scanned the wireless and internal networks available on campus to identify opportunities hackers and bad actors could exploit, and we reviewed training scores for targeted employees with regards to annual trainings provided by the College.

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

- One employee provided their logon credentials to the Portal by submitting information in response to a phishing email we sent. [Note: This employee failed to complete the required cybersecurity training for FY 2021, but has since completed it in FY 2022].
- Two employees submitted their logon credentials to the Portal during a telephone calls we made posing as a Help Desk employee.

Consequences: Increased risk of inappropriate access to sensitive data.

Possible Solutions: We recommend the specific employees who provided their logon credentials be counseled, and the campus community be informed of our test and results.

Management Response

Managers within Dual Enrollment, the EPC Program, and Student Accounting agrees with the observations made by the audit. An employee in each of these three departments had a lapse in judgment, and unfortunately provided his/her logon credentials in Internal Audit's phishing tests. Each manager spoke with their respective employees regarding the incident, and reminded them that there will never be a legitimate request for such information. Each employee remembered the incident and expressed regret for failing to be more guarded with the information. Each stated that he/she knew better, and knows it cannot happen again. Rene Ralston, Lee Cockrell, and Jan Harvey informed their respective employees that Internal Audit will retest them at a future date. Failure at that time will result in further action.

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

August 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: June 30, 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 April 1 through June 30, 2022, **4** more required control were implemented for the Informer application. There were **2** controls in which the risk was accepted for the VPN. Additionally, the audits of 2 more systems were added to the Results section because audits were completed this quarter. 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 4: 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	Total
April 2022 – June 2022	38	11	0	0	49
January 2022 – March 2022	36	9	4	0	49
Difference	+2	+2	-4	0	

VPN

Original Audit: November 22, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 5}	Total
April 2022 – June 2022	49	0	1	2	52
January 2022 – March 2022	49	0	3	0	52
Difference	0	0	-2	+2	

Note 5: AU-5 requires monitoring of audit log failures. Implementing this control would require a 3rd party software add-on, which we do not feel the benefit of doing so outweighs the cost. We have a compensating control where we monitor logs monthly. CP-4 requires periodic back-up testing. The testing of this control would cause a disruption to

services provided to employees working remotely. There are compensating controls of stored backup configurations. OIT tests the backups before completing any upgrades or updates to the appliance.

Canvas LMS

Original Audit: May 20, 2022

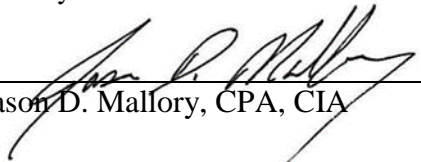
Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2022 – June 2022	37	10	6	0	53

TWC Server

Original Audit: May 16, 2022

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2022 – June 2022	39	4	8	0	51

Submitted by:


 Jason D. Mallory, CPA, CIA

June 30, 2022
 Date

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



Internal Audit Department

Audit Report

**Audit of Police Evidence Room (22-018A)
of
TEXAS STATE TECHNICAL COLLEGE
Waco Campus**

May 17, 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

On April 26, 2022, we performed a surprise inspection of the Police Department's evidence room (Room) on the Waco campus. Surprise inspections were requested by the Chief of Police as a way to verify all property is accounted for, and controls remain strong. The integrity of evidence is often crucial to the successful prosecution of crimes. And, because the Room contains illegal drugs and weapons confiscated during arrests, security is paramount.

The primary objectives of this audit were to ensure all evidence maintained in the Room in Waco was present and/or accounted for, and that access to the Room was restricted and monitored. We accomplished these objectives by tracing samples, reviewing access and other detective controls, and observing the general organization and cleanliness of the Room and related documentation.

We were able to find all evidence we traced, and controls were adequate to ensure the contents are safeguarded from damage, loss, and theft.

Introduction

The campus police department confiscates property during arrests and other incidences to hold as evidence in criminal proceedings. They also receive abandoned and lost property until the rightful owners can be located. All property is tagged with a case number and held in the evidence room.

The room contains illegal drugs (mostly marijuana), various weapons, to include guns and knives, and any other property that was confiscated or found. The room is restricted to only select police officers, with records maintained of all items that are stored in the room. Destruction or disposal of property tied to criminal cases occurs only after the respective district attorneys communicate a disposition of the case, and, for drugs and weapons, only after proper approval from the Court. All other property can be disposed after a specified timeframe. The police department disposes and/or destroys items as necessary. The most recent disposal occurred in June 2018, but the Room was not cluttered.

Objectives

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

Scope & Methodology

The scope of our audit included all items stored in the Room as of April 26, 2022. To accomplish our objectives we traced samples of evidence noted in records to the actual items and vice versa, observed access and other safeguarding controls, and noted the general organization and cleanliness of each Room.

General Observations

Well-designed controls have been put in place over Police evidence to ensure its integrity and security. The Police are diligent in their efforts to limit access to the evidence and treat it as highly sensitive. In fact, we noted that at least 5 locks must be breached before someone obtained access to the firearms, drugs or money. Limited access, entry logs, sealed evidence bags, cameras and a card reader for anyone entering the Room are the key controls.

Summary of Findings

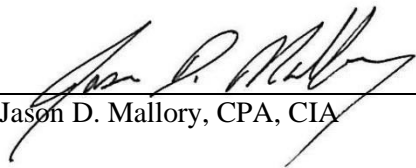
No material exceptions were identified.

Opinion

Based on the audit work performed, all Police evidence was present and/or accounted for, with access restricted and monitored.

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

Submitted by:



Jason D. Mallory, CPA, CIA


May 17, 2022

Date



MEMORANDUM

To: Chad Wooten, AVC/Finance
Blanca Guzman, Chief of Staff/Student Services
Jan Harvey, Sr. Exec. Director, Student Accounting

From: Jason D. Mallory, Audit Director 

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-017A) – West Texas Campuses

Date: June 6, 2022

Purpose

This memorandum is to inform you of surprise cash counts we conducted during May 2022 on the Sweetwater, Abilene, Breckenridge, and Brownwood Campuses. 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 - Sweetwater

Location	Date	Results
Cashier's Office	5/16/22	No material differences
Campus Store	5/16/22	No material differences
Café	5/16/22	No material differences
Wellness Center	5/16/22	No material differences

Cash Counts Conducted & Results – Abilene

Location	Date	Results
Cashier's Office	05/17/22	No material difference
Testing Office	05/17/22	No material differences

Cash Counts Conducted & Results – Breckenridge

Location	Date	Results
Cashier's Office	05/17/22	No material difference

Cash Counts Conducted & Results – Brownwood

Location	Date	Results
Cashier's Office	05/17/22	No material difference

Conclusion


All cash in the Cashiers Office/Business Office, bookstore, cafeteria/food service, and wellness center cash were accounted for, and reasonably protected. These amounts also agreed to accounting records. We identified some minor control enhancements that were immediately communicated to the proper manager for consideration of action.

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



MEMORANDUM

To: Chad Wooten, AVC/Finance
Blanca Guzman, Chief of Staff/Student Services
Jan Harvey, Sr. Exec. Director, Student Accounting

From: Jason D. Mallory, Audit Director 

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-017A) – Waco Campus

Date: June 7, 2022

Purpose

This memorandum is to inform you of surprise cash counts we conducted during June 2022 on the Waco 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 - Waco

Location	Date	Results
Cashier's Office	6/7/22	No material differences
Campus Store	6/7/22	No material differences
Cafe	6/7/22	No material differences

Conclusion

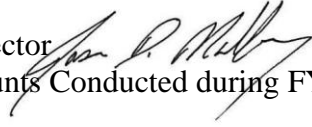
All cash in the Cashier's Office/Business Office, Campus Store, and Cafe were accounted for, and reasonably protected. These amounts also agreed to accounting records.

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



MEMORANDUM

To: Chad Wooten, AVC/Finance
Blanca Guzman, Chief of Staff/Student Services
Jan Harvey, Sr. Exec. Director, Student Accounting

From: Jason D. Mallory, Audit Director 

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-017A) – Fort Bend Campus

Date: June 10, 2022

Purpose

This memorandum is to inform you of surprise cash counts we conducted during June 2022 on the Fort Bend 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 – Fort Bend

Location	Date	Results
Cashier's Office	6/7/22	No material differences
Campus Store	6/7/22	No material differences
Snack Bar	6/7/22	No material differences

Conclusion

All cash in the Cashier's Office, Campus Store, and Cafe were accounted for, and reasonably protected. These amounts also agreed to accounting records.

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



MEMORANDUM

To: Chad Wooten, AVC/Finance
Blanca Guzman, Chief of Staff/Student Services
Jan Harvey, Sr. Exec. Director, Student Accounting

From: Jason D. Mallory, Audit Director *Jason D. Mallory*

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-017A) – Marshall Campus

Date: June 23, 2022

Purpose

This memorandum is to inform you of surprise cash counts we conducted during June 2022 on the Marshall 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 – Fort Bend

Location	Date	Results
Cashier's Office	6/9/22	No material differences
Campus Store	6/9/22	No material differences

Conclusion


All cash in the Cashier's Office/Business Office, and Campus Store were accounted for, and reasonably protected.

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



MEMORANDUM

To: Chad Wooten, AVC/Finance
Jan Harvey, Sr. Exec. Director, Student Accounting

From: Jason D. Mallory, Audit Director 

Subject: Results of Surprise Cash Counts Conducted during FY 2022 (22-017A) – North Texas Campus

Date: June 23, 2022

Purpose

This memorandum is to inform you of a surprise cash count we conducted during June 2022 on the North Texas Campus. The purpose of this count was to ensure all cash on hand in the Cashier's Office was accounted for, and reasonably protected from theft.

Cash Counts Conducted & Results – Fort Bend

Location	Date	Results
Cashier's Office	6/22/22	No material differences

Conclusion

All cash in the Cashier's Office was accounted for, and reasonably protected.

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



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

A Report on

**Agencies', Higher Education
Institutions', and Community Colleges'
Compliance with Public Funds
Investment Act and Rider 5, General
Appropriations Act, Reporting
Requirements**

June 2022
Report No. 22-034



Overall Conclusion

All agencies, higher education institutions, and community colleges subject to the Public Funds Investment Act (Texas Government Code, Chapter 2256) provided compliance audit reports indicating that they fully or substantially complied with the Act for the biennial period ending on January 1, 2022¹.

Additionally, higher education institutions, including universities, university systems, and community colleges², are subject to the reporting requirements established in the Special Provisions Relating Only to State Agencies of Higher Education (Rider 5), Section 6, Subsection 5, page III-269, General Appropriations Act (87th Legislature), and prescribed by the State Auditor's Office. All of those institutions complied with Rider 5, as Table 1 indicates.

Entities subject to the requirements of the Act, Rider 5, or both reported total investment holdings of \$142.6 billion³ as of August 31, 2021.

It is important to note that the entities provided the information in this report and that the State Auditor's Office did not independently verify this information.

Background Information

The Legislature enacted the Public Funds Investment Act (Act) in 1995 to improve the transparency and management of investments by state agencies, higher education institutions, community colleges, and local governments. The Act requires certain state agencies, higher education institutions, and community colleges to implement controls in the form of investment policies, contracting, training, reporting, and reviewing, as well as to obtain audits of those controls at least once every two years and provide those audits to the State Auditor's Office by January 1 of every even-numbered year.

In addition, Rider 5, the General Appropriations Act (87th Legislature), requires higher education institutions and community colleges to file an annual investment report prepared in a method prescribed by the State Auditor's Office. The State Auditor's Office prescribed that method and additional reporting requirements at

<https://sao.texas.gov/InternalAudit/PublicFunds/>. Additionally, the higher education institutions and community colleges are required to publish quarterly investment reports on their websites.

Sources: The Act, the General Appropriations Act (87th Legislature), and the State Auditor's Office website.












¹ The Act requires compliance reporting once every two years. As a result, auditors reviewed compliance reports that were due by the statutory date of January 1, 2022. Rider 5 compliance testing is for the fiscal year ended August 31, 2021, and investment balances are as of August 31, 2021.

² For the purposes of this report, if a community college is within a community college district (with multiple community colleges), the phrase "community college" refers to the community college district.

³ Total investment holdings is the sum of investments of the agencies, higher education institutions or systems, and community colleges that are subject to the Act, as well as investments of the higher education institutions or systems that are not subject to the Act. The total excludes those entities' investments in the Texas Local Government Pool (TexPool) and Texas Local Government Investment Pool Prime (TexPool Prime), to prevent counting those holdings twice. The sources for the investment amounts are the entities' annual investment reports, annual financial statements, or other investment documentation.

Table 1

Summary of Compliance Status

Entity	Compliance Status ^a		
	The Act ^b		Rider 5 ^c
	Fully Compliant	Substantially Compliant	Fully Compliant
			
Agencies Subject to the Act <i>but not Rider 5</i>	6 (of 12)	6 (of 12)	N/A
Higher Education Institutions Subject to the Act and Rider 5	1 (of 4)	3 (of 4)	4 (of 4)
Community Colleges Subject to the Act and Rider 5	48 (of 50)	2 (of 50)	50 (of 50)
Higher Education Institutions Subject to Rider 5 <i>but not the Act</i>	N/A	N/A	7 (of 7)
^a Compliance was determined using the following categories:			
<i>For PFIA</i>  Fully Compliant: No findings were reported by internal or external auditors.  Substantially Compliant: Few findings were reported that may include a significant finding related to policies, contracting, training, reporting, reviewing, or auditing.		 Minimally Compliant: Some findings were reported that were significant to policies, contracting, training, reporting, reviewing, or auditing.  Noncompliant: The required compliance report was not provided or contained many findings that were significant to policies, contracting, training, reporting, reviewing, or auditing.	
<i>For Rider 5</i>  Fully Compliant: Investment disclosures met all reporting requirements  Substantially Compliant: Investment disclosures met most reporting requirements, with minor omissions.		 Minimally Compliant: Investment disclosures had some significant omissions.  Noncompliant: Investment disclosures omitted all or most of the required disclosures or reports.	
^b All entities tested were either fully or substantially compliant with the Act.			
^c All entities tested were fully compliant with Rider 5.			

Some entities did not submit compliance reports by the statutorily required due date of January 1, 2022. In addition, a number of institutions using external auditors submitted reports that provided an opinion only on material noncompliance instead of identifying any instances of noncompliance, as required. Further, a number of higher education institutions and community colleges were not in compliance with the Rider 5 higher education reporting requirements at the beginning of this project. However, the entities or auditors were able to provide the missing information or verify that the reporting requirements were met prior to completion of this report.

Audit Objectives and Scope

The objectives of this project were to:

- Determine whether state agencies and higher education institutions complied with the Public Funds Investment Act (Act) requirement to submit a compliance report to the State Auditor's Office by January 1, 2022.
- Determine whether higher education institutions complied with Special Provisions Relating Only to State Agencies of Higher Education, Section 6, Subsection 5, page III-269, the General Appropriations Act (87th Legislature) and the reporting requirements as prescribed by the State Auditor's Office on its website.

The scope of this project covered compliance audit reports required to be submitted by January 1, 2022, and Rider 5 investment disclosures for the fiscal year ended August 31, 2021. Auditors reviewed the reports between February 2022 and May 2022.

Contents

Detailed Results

Chapter 1

Entities' Compliance with PFIA and Rider 5 Requirements	1
--	---

Chapter 2

Summary of Investments for Agencies, Higher Education Institutions, and Community Colleges	8
---	---

Appendices

Appendix 1

Objectives, Scope, and Methodology	18
--	----

Appendix 2

Instances of Noncompliance with the Act	21
---	----

Appendix 3

Related State Auditor's Office Reports	26
--	----

Detailed Results

Chapter 1

Entities' Compliance with PFIA and Rider 5 Requirements

The Public Funds Investment Act (Act) requires governing bodies of entities that invest public funds to implement investment-related controls in the following areas: policies, contracting, training, reporting, reviewing, and auditing. The Act contains multiple requirements for each of these areas, and the entities' internal or external auditors must test compliance with the requirements every two years. The Act requires the entities subject to the Act to submit compliance audit reports to the State Auditor's Office.

For the compliance reporting period ended January 1, 2022, all entities subject to the Act submitted the required compliance audit reports. The State Auditor's Office reviewed the reports and defined levels of compliance (see page *ii* in the Overall Conclusion for definitions).

Additionally, higher education institutions, including universities, university systems, and community colleges, are subject to the reporting requirements established in the Special Provisions Relating Only to State Agencies of Higher Education (Rider 5), Section 6, Subsection 5, page III-269, General Appropriations Act (87th Legislature), and prescribed by the State Auditor's Office.

Rider 5 requirements include the following:

- Submitting an annual investment report to the State Auditor's Office, the Office of the Comptroller of Public Accounts, the Office of the Governor, and the Legislative Budget Board, using the format prescribed by the State Auditor's Office.
- Disclosing the following information on the higher education institution's website:
 - ♦ The annual investment report described above.
 - ♦ Quarterly investment reports.
 - ♦ Current investment policies.
 - ♦ The use of outside investment advisors or managers.















- ♦ The use of soft dollar agreements, directed brokerage or directed commission, commission recapture, or similar arrangements.⁴
- ♦ Associations with independent endowments or foundations.

The State Auditor's Office reviewed the investment reports and disclosures on the institutions' websites to determine compliance with Rider 5 for the fiscal year ended August 31, 2021.

Agencies' Compliance with the Act

Of the 12 agencies subject to the Act, 6 submitted reports that indicated full compliance with the Act and 6 submitted reports indicating they were substantially compliant. The specific instances of noncompliance are noted in Appendix 2. Table 2 shows ratings for compliance by agencies subject to the Act.

Table 2

<i>Agencies' Compliance</i>	
Act	Agency
	Board of Law Examiners
	Department of Criminal Justice
	Department of Housing and Community Affairs
	Department of Transportation
	Real Estate Commission
	School for the Blind and Visually Impaired
	State Bar of Texas
	Texas Access to Justice Foundation
	Texas State Affordable Housing Corporation
	Texas Treasury Safekeeping Trust Company (TexPool and TexPool Prime)
	Trusted Programs within the Office of the Governor
	Water Development Board
 Fully Compliant  Substantially Compliant	

For definitions of compliance status, see page *ii* in the Overall Conclusion.

⁴ Those arrangements typically involve using brokerage commissions as a means of paying for other related investment services through credits of a portion of brokerage commissions paid, rather than through direct payments or using selected brokers who rebate a portion of the commission they receive on trades for the investor.

Higher Education Institutions' Compliance with the Act

The Act defines state agencies to include higher education institutions with authority to invest public funds. However, higher education institutions that had total endowments of \$150 million in book value as of September 1, 2017, are exempt from the Act. Excluding community colleges, which are presented separately in this chapter, auditors determined that four higher education institutions were required to follow the Act and seven higher education institutions were exempt from the Act.

All four higher education institutions determined to be subject to the Act provided compliance audit reports for the biennial period ending on January 1, 2022. One institution provided a report that indicated it fully complied with the Act. Three institutions provided reports from which auditors determined that they substantially complied with the Act. Table 3 on the next page shows ratings for compliance by higher education institutions subject to the Act. The specific instances of noncompliance with the Act are noted in Appendix 2.

Higher Education Institutions' Compliance with Investment Reporting Requirements of Rider 5











Rider 5 requires all higher education institutions to provide an annual report of investment transactions, in a manner prescribed by the State Auditor's Office.

All four of the higher education institutions determined by auditors to be subject to the Act, as well as all seven higher education institutions determined by auditors to be exempt from the Act, were fully compliant with Rider 5 requirements.

Tables 3 and 4 on the next page show ratings for compliance by higher education institutions.

Table 3










***Higher Education Institutions' Compliance
(Subject to the Act)***

Act	Rider 5	Institution
		Midwestern State University
		Stephen F. Austin State University
		Texas Southern University
		Texas State Technical College System
 Fully Compliant  Substantially Compliant		

For definitions of compliance status, see page *ii* in the Overall Conclusion.

Table 4

***Higher Education Institutions' Compliance
(Exempt from the Act)***

Rider 5	Institution
	Texas A&M University System
	Texas State University System
	Texas Tech University System
	Texas Woman's University
	The University of Texas System
	University of Houston System
	University of North Texas System
 Fully Compliant  Substantially Compliant	

For definitions of compliance status, see page *ii* in the Overall Conclusion.



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.