

# Meeting of the Board of Regents

## Audit Committee

May 11, 2023  
Harlingen, Texas



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[Tony Abad (Chair), Kathy Stewart, Robb Misso]

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**Texas State Technical College  
Internal Audit  
Status of Fiscal Year 2023 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
<b>INTERNAL AUDITS</b>						
Internal Network Penetration Test	OIT/Harlingen Campus	Complete	23-004A	9/30/22	12/13/19	Risk Based
American Rescue Plan Act – Higher Education Emergency Relief Fund III	Office of Sponsored Programs, Student Services	Complete	23-007A	12/9/22	12/20/21	Risk Based
Internal Network Penetration Test	OIT/East Williamson County Campus	Complete	23-009A	12/9/22	9/27/19	Risk Based
Internal Network Penetration Test	OIT/Waco Campus	Complete	23-011A	12/9/22	3/10/20	Risk Based
T-Drive Audit	OIT/Several Departments	Complete	23-012A	3/17/23	-	Risk Based
Personal Property Verification Audit	Finance/College-wide	In Progress	23-003A	10/3/2022, 12/16/22, 3/23/23	12/16/22	Risk Based
TAC 202 Follow-up Audit	OIT	In Progress	23-002A	11/10/2022, 1/13/2023, 3/31/23	1/13/23	Required Bi-annually
Sick Leave Administration	HR	In Progress	23-005A		-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office	In Progress	23-020A		6/8/22	Required Annually
Payroll and Benefits Proportionality	Payroll	In Progress	23-019A		12/9/21	Risk Based
Audit of General IT Controls	OIT	In Progress	23-018A		6/28/17	Risk Based
Construction Audit of FTB projects completed in early 2022	Construction	In Progress	23-008A		-	Risk Based
Construction Audit of JBC Remodel	Construction	In Progress	23-008A		-	Risk Based
Audit of Remote Work Processes and Procedures	College-wide				-	Risk Based
Accounts Payable Audit	Finance				5/17/19	Risk Based
Audit within the Waco Physical Plant	Physical Plant				-	Risk Based
Audit within the Harlingen Physical Plant	Physical Plant				-	Risk Based

**EXTERNAL AUDITS**

Summary - State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2022 by the State Auditor's Office	Finance	Complete	23-315	2/28/22		
Summary - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2022 by the State Auditor's Office	Finance	Complete	23-555	2/28/22		

**OTHER INTERNAL PROJECTS**

Internal Hotline: On 9/1/22, an anonymous concern was reported that employees were not being paid for flex time, and were being required to work long hours. Results: The concern was forwarded to HR. HR concluded that management attempted to provide appropriate work/life balance during the busy time, lunches and breaks were available, and pay was paid as appropriate.	Enrollment Services	Complete	23-006I	9/16/22		
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Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Internal Hotline: On 10/4/22, an anonymous concern was reported from presumably an instructor. Allegedly, behavior concerns have been reported through Maxient on a particular student, but timely/appropriate action has not been taken. This lack of action has created a poor working environment. Results: Determined the student did create repeated distractions for faculty and staff until he was expelled. Found opportunities to improve processes.	Student Discipline	Complete	23-010I	3/8/23		
SAO Hotline: On 1/9/23 we received a report made on the SAO hotline. The concern was actually made on 8/19/22, but only forwarded to us in January. The complaint was similar to one received in August in which an employee complained about unfair hiring practices. That matter was found to not have any merit. No additional work was performed on the complaint received in January because it was already investigated at project 22-036I and resolved.	Student Discipline	Complete	23-014I	No report issued.		
Management Report: Management reported suspicious purchases on a procurement card. The employee resigned when she was questioned. Results: We identified over \$7 thousand in probable fraudulent purchases. The matter was turned over to the Police for a criminal investigation.	Dual Enrollment	Complete	23-016I	3/22/23		
Attestation Report: On 1/5/2023, management disclosed a concern related to instructors taking classes. We were requested to review the situation to verify financial aid, overload pay, and anything else was appropriate. Results: Testing is complete. We did not identify any fraud, but made recommendations regarding improving processes related to release time afforded to employees for education. Responses are pending. The responses will require collaboration between several difference departments.	Instruction	Pending Responses	23-013I			
Management Report: Management requested we review a matter involving a manager using College equipment for personal use. Results: We are currently working on this project. Preliminary results indicate this concern has merit.	Waco Campus	In Progress	23-015I			

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Internal Hotline: Two students in the LVN program submitted concerns on the hotline. Simultaneously they made complaints through the student grievance process. Results: Internal Audit is deferring the investigation and resolution to the student grievance process. We feel it would be inappropriate for proper protocols to not be followed. Once all grievances and appeals are complete, we will review the resolution and process to ensure all matters were investigated.	LVN Program/Harlingen Campus	In Progress	23-017I			

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
T Drive Audit (23-012A)	1. We identified 4 of 41 required TAC 202 controls that still need to be implemented. These controls relate to audit logs and periodic testing of the back-up files. The control related to testing back-ups was implemented during our audit, but we would like more history of operation before concluding it is fully implemented.	Three audit and accountability controls, and one contingency planning control were not fully implemented.	1.1 OIT will implement a SIEM solution that will be managed and monitored by a 3rd party. This will provide TSTC with a logging solution that will alert for logging failures, provide alerting upon suspicious activity and will maintain the logs for the specified retention period. 1.2 OIT will have a written plan to periodically test system backup and recovery that will include the creation of an OIT ticket to track the testing of the T:Drive. This plan will include a spreadsheet where the tickets will be tracked for the annual backup and recovery testing of the T:Drive.	Larry McKee	12/31/23

<b>Quarterly Results of Personal Property Verification Audit (23-003A)</b>	1. 7,226 of 8,101 sample of assets verified as 12/16/22. 875 are remaining to be tested primarily on the Harlingen campus. We expect testing to be complete by 4/30/2023. Results remain consistent with those in previous quarters in which assets are being located.
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<b>TAC 202 Compliance – Quarterly Update (23-002A)</b>	1. 1 more controls was identified as being implemented. 4 more controls were added to the list to be reviewed.
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Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
<p>1.  <b>State of Texas  Federal Portion of  the Statewide  Single Audit  Report for the  Year Ended  August 31, 2022  performed by the  State Auditor's  Office</b></p>	<p>1.</p>	<p>No findings identified related to TSTC .</p>			
<p>1.  <b>State of Texas  Financial Portion  of the Statewide  Single Audit  Report for the  Year Ended  August 31, 2021  performed by the  State Auditor's  Office</b></p>	<p>1.</p>	<p>No findings identified related to TSTC .</p>			

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
<p><b>Student Related Investigation (23-0101)</b></p>	<p>1. We found merit in an anonymous complaint alleging a student continued to cause disruptions despite numerous attempts to correct. Several recommendations were made primarily aimed at improving the complaint process as it relates to student behavior.</p>	<p>Five employees expressed safety concerns, erratic behavior of student continued for 4 semesters, and student only completed 3 of 14 courses he registered in.</p>	<p><b>Management's CAP(s)</b></p> <p>1.1 \$1,250 in CARES funds will be reclassified.</p> <p>1.2 Additional steps have been implemented to acknowledge the receipt of behavioral concerns reported on Maxient.</p> <p>1.3 Detailed notes of discussions in CARE meetings will be kept to document considerations and actions.</p> <p>1.4 An HR representative will be added to the CARE team.</p> <p>1.5 Campus Police will be immediately notified of safety concerns, and employees will be connected with to ensure they are aware of safety resources.</p> <p>1.6 Operations Leadership and Retentions Services will collaborate more closely in cases such as this one to establish a better balance between student success and campus safety.</p>	<p>Madelynne Johnston</p>	<p>Immediately</p>

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
<p><b>Procurement Card Fraud Investigation (23-0161)</b></p>	<p>1. We identified over \$7,000 in potentially fraudulent purchases on an employee's P-card. The matter was referred to the Police for a criminal investigation.</p>	<p>\$7,317.96 in suspicious purchases were made. Those included purchases made on holidays, weekends, at restaurants and convenience stores. Items were shipped to the employee's home, and the College's Amazon account was used for personal reasons.</p>	<p><b>Management's CAP(s)</b></p> <p>1.1 Workday delegation functionality will be re-engineered to add more controls.  1.2 All goods will be delivered to the College, and the Amazon account has now been configured to only allow the College's shipping address.  1.3 P-Card holders will be reminded that the Amazon account is only to used for College purposes, and purchases will be monitored for personal use.</p>	<p>Melinda Boykin</p>	<p>1.1 8/31/2023.  1.2 7/30/23,  1.3 8/31/23</p>

Texas State Technical College  
Internal Audit  
Follow Up Schedule & Status

Completion Summary			
	12/31/22	3/31/23	Audits cleared from (Added to) Schedule
Audits from FY 2018	1	1	0
Audits from FY 2020	1	0	1
Audits from FY 2021	2	2	0
Audits from FY 2022	4	3	1
Audits from FY 2023	2	3	(1)
<b>Net Total</b>	10	9	1

**Highlights:**

TAC 202 Audits: 1 more control was implemented. 4 more controls were added for follow-up as the result of a new audit.
Career Services Investigation: 2 corrective actions were verified as completed. The final one is being tested.
Airport Operations Audit: The final remaining task is subject to a lease being executed. We anticipate the boneyard issue will be resolved once a lease is executed.
Internal Network Penetration Test (23-009A) - EWCHEC: All pending tasks were completed.
Internal Network Penetration Test (23-011A) - Waco: All pending tasks were completed.

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 23-012A, 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.	<b>Ongoing:</b> 3/23/23, 12 systems and the IT general controls have been audited. A total of 0 general controls and 4 (total for all systems audited) application controls were not yet implemented. In this quarter, 1 control was improved to implemented status.		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
<p>PCI Compliance Audit (18-009A), Semien</p>	<p>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.</p>	<p>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.</p>	<p><b>Ongoing:</b> At 7/5/22, only 37 controls were still in the process of being implemented for the Waco and Harlingen Cafeterias. In FY 2024, PCI will be re-audited to verify compliance to the new standards. Recommend no further audit work will be performed until that audit commences.</p>		<p>Ongoing</p>

<p>Airport Operations Audit (20-008A), Semien</p>	<p>1. Contract management procedures should be enhanced to ensure all contract provisions are met.</p>	<p>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.</p>	<p><b>Partially Complete:</b> Reviewed the matter on 3/23/23. Determined that management is in the process of executing a lease. That lease will include the land being used as the boneyard. The will clear when the lease is executed.</p>	<p>5/31/23</p>
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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
<p><b>Audit of Disbursements from Student Club Accounts (21-007A), Stuart-Carruthers, C. Wooten</b></p>	<p>1. Controls are not consistently applied to ensure disbursements from Club Accounts are authorized and appropriate.</p>	<p>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.</p>	<p><b>Ongoing:</b> On 3/20/23, identified 147 accounts with a balance of \$89,180.74 that have had no activity in FY 2023. Understand that the intent is to close these accounts and move the money to an endowed Foundation account. Before that happens, accounting will need authorization. Will speak with the person now responsible for giving such authorization to facilitate the movement.</p>		5/31/23
<p><b>Faculty Credentials Audit (21-018A), Logan</b></p>	<p>1. While the system of controls for faculty credentialing have been appropriately designed, full implementation is still ongoing.</p>	<p>1.2 Implement the Strategic Planning Online system.</p>	<p><b>Partially Complete:</b> 9/1/22. All current instructors have been input into the SPOL system and all supporting documentation has been uploaded to the system. As of 3/23/23 we are waiting on the department to respond to questions we still have. Have tested a sample of instructors, and verified they are teaching approved classes.</p>		5/31/23
		<p>1.3 Finish self-audits of all instructors hired before 3/1/2020.</p>	<p><b>Partially Complete:</b> See above notes.</p>		5/31/23

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
<p><b>Tuition Audit (22-015A), C. Wooten</b></p>	<p>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.</p>	<p>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.</p>	<p><b>Partially Complete: On 3/22/23</b>  we verified a change management process is in place to ensure one person is not responsible for all tuition changes. While our testing showed that the updated tuition and program tiers appear to have been entered into Colleague correctly, we identified 3 students of 20 tested that were underbilled. This seems to be the same problem identified in the original audit, and represent significant lost revenue each semester. We are attempting to expand testing and verify someone is attempting to identify the root cause.</p>		<p>5/31/23</p>

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
<p><b>Audit of Online Learning (22-002A), Cano-Montreal</b></p>	<p>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).</p>	<p>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.</p>	<p><b>Ongoing:</b> 3/10/23 The revised SOS went through EMC last week but was not approved pending additional questions the group had. Once questions are addressed, the policy will be taken back to EMC to review once again.</p>	<p>SOS E.S. 2.20 currently has edits and is going through the a new SOS template process for policy revisions.</p>	<p>5/31/23</p>

<p><b>Career Services – Phishing Scam (22-039I), Darnell</b></p>	<p>1. Staff were manipulated into forwarding a fraudulent job posting to several students.</p>	<p>1.1 One employee is designated as the primary contact and approver of all the jobs that come through hireTSTC or through email requests to post jobs. This employee will be responsible for ensuring the legitimacy of all requests before they are made available to students.</p>	<p><b>Completed during audit.</b> As of 3/23/23, we were designing a phishing test.</p>	<p>5/31/23</p>
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Report Name & No., Resp. Sr Migr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
T Drive Audit (23-012A), McKe	1. We identified 4 of 41 required TAC 202 controls that still need to be implemented. These controls relate to audit logs and periodic testing of the back-up files. The control related to testing back-ups was implemented during our audit, but we would like more history of operation before concluding it is fully implemented.	1.1 OIT will implement a SIEM solution that will be managed and monitored by a 3rd party. This will provide TSTC with a logging solution that will alert for logging failures, provide alerting upon suspicious activity and will maintain the logs for the specified retention period. 1.2 OIT will have a written plan to periodically test system backup and recovery that will include the creation of an OIT ticket to track the testing of the T:Drive. This plan will include a spreadsheet where the tickets will be tracked for the annual backup and recovery testing of the T:Drive.	<b>Ongoing:</b> Testing will be part of the quarterly TAC 202 follow-up.		12/31/23
			<b>Ongoing:</b> Testing will be part of the quarterly TAC 202 follow-up.		12/31/23

<b>Student Related Investigation (23-010I), Johnston</b>	1. We found merit in an anonymous complaint alleging a student continued to cause disruptions despite numerous attempts to correct. Several recommendations were made primarily aimed at improving the complaint process as it relates to student behavior.	1.1 \$1,250 in CARES funds will be reclassified. 1.2 Additional steps have been implemented to acknowledge the receipt of behavioral concerns reported on Maxient.	<b>Pending Review</b>		Immediately
			<b>Pending Review</b>		Immediately

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
		1.3 Detailed notes of discussions in CARE meetings will be kept to document considerations and actions.	<b>Pending Review</b>		Immediately
		1.4 An HR representative will be added to the CARE team.	<b>Pending Review</b>		Immediately
		1.5 Campus Police will be immediately notified of safety concerns, and employees will be connected with to ensure they are aware of safety resources.	<b>Pending Review</b>		Immediately
		1.6 Operations Leadership and Retentions Services will collaborate more closely in cases such as this one to establish a better balance between student success and campus safety.	<b>Pending Review</b>		Immediately

<b>Procurement Card Fraud Investigation (23-0161)</b>	1. We identified over \$7,000 in potentially fraudulent purchases on an employee's P-card. The matter was referred to the Police for a criminal investigation.	1.1 Workday delegation functionality will be re-engineered to add more controls.	<b>Ongoing</b>		8/31/23
		1.2 All goods will be delivered to the College, and the Amazon account has now been configured to only allow the College's shipping address.	<b>Ongoing</b>		7/30/23
		1.3 P-Card holders will be reminded that the Amazon account is only to used for College purposes, and purchases will be monitored for personal use.	<b>Ongoing</b>		8/31/23



**Internal Audit Department**

**Audit Report**

**T Drive Audit (23-012A)**

**TEXAS STATE TECHNICAL COLLEGE**

**March 17, 2023**

**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 as of February 28, 2023, of the distributed file sharing server, also known as the T Drive. The T Drive is a file system that is housed in the Waco and Harlingen campus data centers and allows files to be accessed or stored by users with appropriate network permissions. The purpose of this audit was to verify compliance to 41 related TAC 202 controls.

We verified system access, periodic maintenance, training, audit logs, and baseline configurations. We also tested controls identification and authentication, system communication protection, as well as system integrity controls.

We determined 37 of the 41 controls tested were implemented for the T Drive. We did identify 4 required TAC 202 controls that need to be strengthened. The following table summarizes the required TAC 202 controls we reviewed, and our results:

<b>Control Family</b>	<b>Implemented</b>	<b>Implemented with Recommendations</b>	<b>Not Implemented</b>
Access Controls	8	0	0
Awareness and Training Controls	3	0	0
Audit and Accountability Controls	6	0	3
Configuration Management	4	0	0
Contingency Planning Controls	4	0	1
Identification and Authentication Controls	5	0	0
Maintenance Controls	1	0	0
Personnel Security Controls	3	0	0
System and Communications Protection Controls	2	0	0
System and Information Integrity Controls	1	0	0
<b>Total</b>	<b>37</b>	<b>0</b>	<b>4</b>

## Introduction

The distributed file sharing server, also known as the T Drive, was implemented in Fall 2019. It was migrated over from the older Novell Active Directory Server. The T Drive is composed of two virtual servers running on a 2016 Windows Server Edition operating system located on the Waco and Harlingen Campuses, and are backed up between the two sites. A virtual server re-

creates the functionality of a dedicated physical server which helps minimize memory and hardware utilization. Information stored and retrieved from the T drives are synced between the sites, ensuring all users can access the same data. Stored data includes student and employee sensitive personal information (SPI) and sensitive payroll/compensation data. The accounting and business intelligence departments also store critical information. Because the T Drive readily handles information from other existing information/file systems, is secure and relatively easy to maintain, there are plans to continue its use into the foreseeable future.

The T Drive is implemented alongside the current Microsoft Active Directory Server. It utilizes active directory to assign access and map user profiles to the appropriate file locations. There are currently 113 employees with access. Personnel in Human Resources, Payroll, Facilities, Compensation, Business Intelligence, and Accounting have the ability to store and access data on the drive.

The Office of Information Technology performs maintenance, upgrades, manages access, and oversees all relevant controls. There is 1 Lead IT Engineer, 1 System Administrator, and 1 Application Administrators responsible for the server's patches/updates applied to the operating systems.

### **Objectives**

The objectives of the audit were to verify required TAC 202 controls are in place and operating for the T drive to ensure its security, integrity, and availability.

### **Scope & Methodology**

The scope of our audit included all processes and procedures currently in place at the time of this audit as they relate to the T Drive. Forty one controls detailed in the Security Control Standards Catalog, Version 2.0 promulgated by TAC 202 formed the basis of our testing. To achieve our objectives, we interviewed key personnel within IT, reviewed system logs and records, tested access, and verified controls related to encryption, back-up and recovery, and training.

### **General Observations**

There is an approval process in place to track requests made to the help desk for access to the T Drive, and those requests are all stored. Evidence of access is maintained by signed access authorization forms for 3<sup>rd</sup> Party users. Employees with access to the T Drive have completed the required Information Security Awareness Trainings. 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 backups are regularly performed. Cryptographic protection when accessing the server remotely is above the required 128 bit requirement. Access is removed when an employee separates from the College or transfers to another area. Finally, the server operates in a least functional mode.

### Summary of Finding

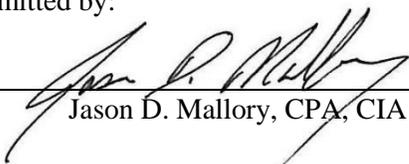
We identified 4 of 41 required TAC 202 controls that still need to be implemented. These controls relate to audit logs and periodic testing of the back-up files. The control related to testing back-ups was implemented during our audit, but we would like more history of operation before to concluding it is fully implemented.

### Opinion

Based on the audit work performed, the College has implemented the most of the required TAC 202 controls which ensures the security, integrity, and availability of the data stored on the T Drive. We only identified 4 controls that still need to be implemented or improved. The controls that still need attention 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, and commend them for obvious attention they have given to ensuring controls are in place and operating as intended.

Submitted by:

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

March 17, 2023  
\_\_\_\_\_  
Date

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**AUDIT FINDING DETAIL**

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Finding #1: We identified 4 of 41 required TAC 202 controls that still need to be implemented. These controls relate to audit logs and periodic testing of the back-up files. The control related to testing back-ups was implemented during our audit, but we would like more history of operation before to concluding it is fully implemented.

**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 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	0
Awareness and Training Controls	0
Audit and Accountability Controls	3
Configuration Management	0
Contingency Planning Controls	1
Identification and Authentication Controls	0
Maintenance Controls	0
Personnel Security Controls	0
System and Communication Protection Controls	0
System and Information Integrity Controls	0
<b>Total</b>	<b>4</b>

**Consequences:** The controls that require attention ensure data is available, and actions are traceable through audit logs.

**Possible Solutions:** We recommend the 4 missing controls be implemented.

**Management Response**

AU-5, 6, 11 Management of the Office of Information Technology agrees with the observations made in the audit. OIT agrees that the T Drive does not have the capability for providing alerts upon logging failures and does not meet the minimum requirement for logging retention. In addition OIT agrees that there is not a good way to review audit logs for this system currently. This is the result of not having a Security Information and Event Management (SIEM) system in

place. By December of 2023 OIT will implement a SIEM solution that will be managed and monitored by a 3rd party. This will provide TSTC with a logging solution that will alert for logging failures, provide alerting upon suspicious activity and will maintain the logs for the specified retention period. The Implementation of the SIEM solution is currently pending funding for FY 24. Larry McKee, Executive Director - IT Compliance | IT Administration, will be responsible for implementation of this corrective action plan.

CP-4 Management of the Office of Information Technology agrees with the observations made in the audit. OIT agrees that the lack of periodic testing of backups for the T:Drive is the result of not having a testing plan in place to periodically test backups for the T:Drive. By December 2023, OIT will have a written plan to periodically test system backup and recovery that will include the creation of an OIT ticket to track the testing of the T:Drive. This plan will include a spreadsheet where the tickets will be tracked for the annual backup and recovery testing of the T:Drive. Larry McKee, Executive Director - IT Compliance | IT Administration, will be responsible for implementation of this corrective action plan.



To: Audit Committee  
From: Jason D. Mallory, Audit Director   
Subject: Quarterly Results of Personal Property Verification Audit (23-003A)  
Date: March 23, 2023

Internal Audit is in the process of auditing personal property owned by the College. Personal property refers to:

- Capitalized assets that cost \$5,000 or more, have a useful life greater than one year, and are depreciated. Examples include furniture and equipment, airplanes, vehicles, and machinery of various forms.
- Controlled assets that cost between \$500 and \$4,999.99, and are not capitalized or depreciated. They are tracked because they are inherently at more risk of theft, damage, and obsolescence. Examples include sound systems, televisions, computers, and drones. Regardless of cost, hand guns and rifles are always considered controlled assets.

Excluded from this audit are real estate, intangible assets, library books, and historical artifacts.

Texas Government Code, Subchapter L, section 403.2715 (Code) requires the College to account for all assets, including personal property, using the definitions, accounting classification codes, capitalization thresholds, useful lives, and depreciation methods defined by the State Comptroller's Office in their "SPA Process User's Guide". The Code also requires the College to:

- Maintain asset records that accurately reflect all property possessed by the College.
- Designate a property manager to be responsible for the custody of all personal property, and the maintenance of associated records. The CFO is the designated property manager.

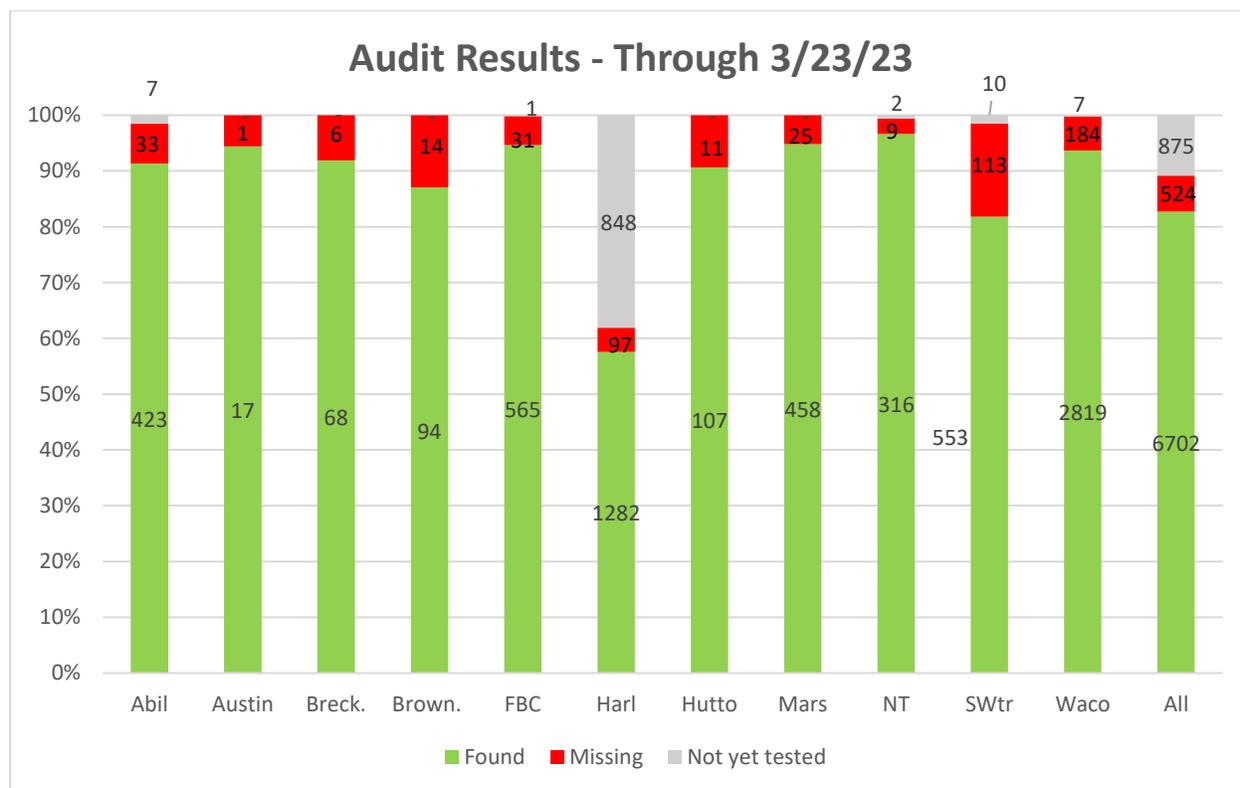
The State Auditor has the authority to periodically examine records and property related controls.

The "SPA Process User's Guide" also provides specific guidance on select internal controls, such as the annual inventory of personal property. This guidance, though, seems more aimed at users of the Comptroller's asset accounting system. The Code exempts the College from using that system, so certain parts of the guide are likely not applicable. Current internal controls that are relied upon to achieve accurate records and the safe custody of personal property are currently being refined in College policy.

The primary purpose of this audit is to verify that the recent annual inventory of personal property reflects the actual existence, condition, location, and steward of each recorded asset. Controls that impact this objective, such as training and monitoring of the annual inventory completion status are also being tested. The College's Property Accountability staff has real time access to our daily test results for easy follow-up with stewards as we identify discrepancies. The following are the results of our tests as of March 23, 2023:

Campus	Total	Sample	Tested	Left to Test	% Left to Test
Abilene	1,172	463	456	7	2%
Austin	19	18	18	0	0%
Breckenridge	183	74	74	0	0%
Brownwood	385	108	108	0	0%
Ft. Bend	1,864	597	596	1	0.2%
Harlingen	6,675	2,227	1,379	848	38%
EWCHEC	445	118	118	0	0%
Marshall	1,478	483	483	0	0%
North Texas	923	327	325	2	1%
Sweetwater	2,045	676	666	10	1%
Waco	9,259	3,010	3,003	7	0.2%
ALL	24,448 <sup>Note 1</sup>	8,101	7,226	875	11%

Note 1: This was the total number of assets on 8/7/22 when our sample was selected. This number fluctuates daily due to purchases and disposals, but has consistently remained between 24 and 25 thousand.



### Detail of Missing Items

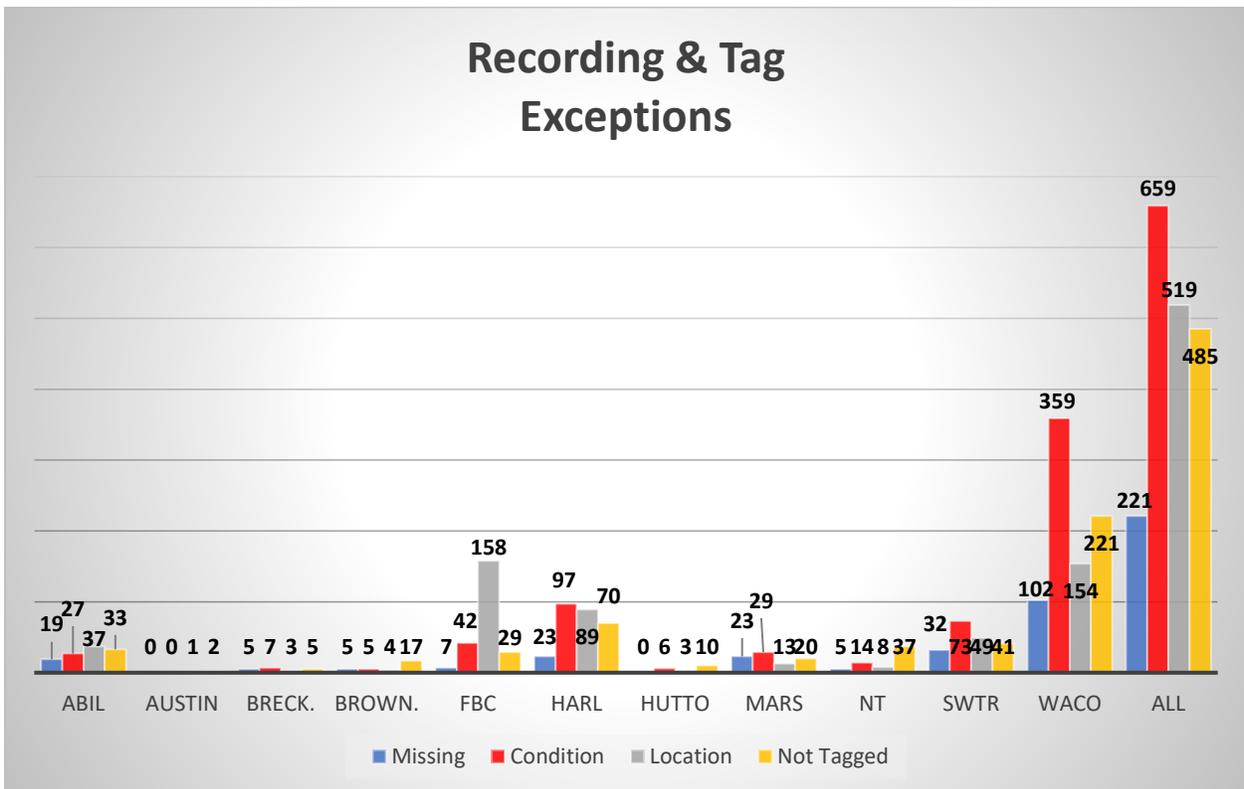
Location	Computers		Electronics		Equipment	
	Count	Book Value	Count	Book Value	Count	Book Value
Abilene	23	\$0	3	\$0	7	\$0
Austin	1	\$0	0	\$0	0	\$0
Breck	3	\$0	0	\$0	3	\$0
Brown	6	\$0	4	\$0	4	\$0
FBC	19	\$0	3	\$0	9	\$ 35,504.00
Harl	61	\$ 2,500.16	18	\$0	18	\$0
Hutto	9	\$0	0	\$0	2	\$ 787.52
Marsh	20	\$0	4	\$0	1	\$0
NT	7	\$0	0	\$0	2	\$0
SWtr	53	\$0	15	\$0	45	\$ 66,096.72
Waco	107	\$12,036.42	42	\$0	35	\$ 11,521.35
<b>All</b>	<b>309</b>	<b>\$14,536.58</b>	<b>89</b>	<b>\$0</b>	<b>126</b>	<b>\$113,909.59</b>

Note 1: 524 assets with a combined book value of \$128,446.17 were not found during our testing.

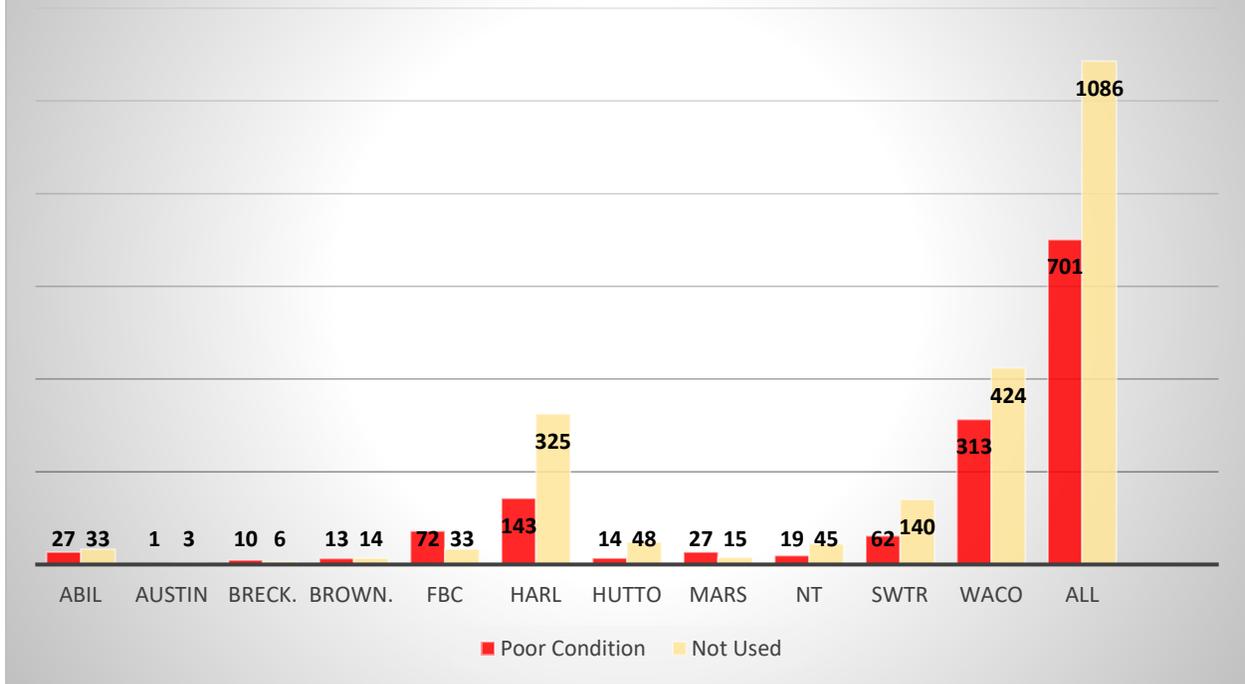
Note 2: 113 employees account for 524 missing items.

Note 3: 17 missing assets represent the total book value of \$128,446.17. That consists of 2 missing computers with a remaining book value of \$14,536.58, and 15 equipment items with a remaining book value of \$113,909.59.

Note 4: All 17 missing assets with a total book value of \$128,446.17 are assigned to only 9 employees, with 2 employees accounting for \$66,096.72 (52%) of that.



## Possible Opportunities for Disposal



Of the 1,429 asset stewards on record as of the date of this report, 1,191, or 83% have taken their annual inventory of personal property. Our results are not precise because asset records constantly change due to asset and steward additions and deletions. We are confident, though, the completion rate for stewards on record when inventory was taken was between 85% to 92%. Workday provides insight into this rate that was not as readily available in years past.

Of the 517 stewards represented in our sample, only 15 did not complete their required training. That represents a successful completion rate of 97%.

The data we are verifying is available in real-time to the Property Accountability staff. The data provides additional insights beyond what are included in this summary report. The staff are using our results to facilitate records improvement with individual stewards. We will review a sample of the deficiencies we noted towards the end of this audit to verify their actual efforts and results.

Most of the personal property we have tested continues to be presented for inspection. We continue to find the need for some stewards to update the location and condition of their personal property in Workday. We have also identified personal property that is clearly in poor condition and/or not being used. This property should be considered for disposal to free up resources for other uses, and to reduce holding costs.

cc: Mike Reeser, Chancellor/CEO  
Chad Wooten, Interim VC/CFO  
Melinda Boykin, EVP/Procurement  
Peggy Wilke, Executive Director/Procurement  
Jan Dudik, AVP/Property Management

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

May 2023

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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: March 31, 2023

The purpose of this memo is to provide you the current implementation statuses of IT controls required by TAC 202 tested in numerous internal audits of systems conducted since 2017. Annually, the list of audits of systems will increase as we continue to audit. Each quarter we test select controls which were previously not implemented. From January 1 through March 31, 2023, **1** more required control was implemented for the TWC Server. During this same time period, the T Drive was audited, with 41 controls being tested. These results are added to this memo. 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 <sup>Note 1</sup>	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 <sup>Note 2</sup>	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 <sup>Note 3</sup>	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 <sup>Note 4</sup>	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
As of June 2022	38	11	0	0	49

**VPN**

Original Audit: November 22, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted <sup>Note 5</sup>	Total
As of September 2022	50	0	0	2	52

*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
As of December 2022	43	10	0	0	53

**TWC Server**

Original Audit: May 16, 2022

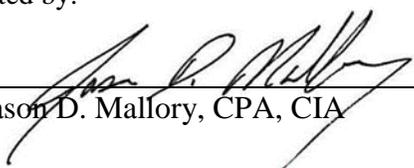
Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2023 – Mar 2023	47	4	0	0	51
Oct 2022 – Dec 2022	46	4	1	0	51
Difference	+5	0	-1	0	

**T Drive**

Original Audit: March 17, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2023 – Mar 2023	37		4	0	41
Oct 2022 – Dec 2022	0	0	0	0	0
Difference	+37	0	+4	0	

Submitted by:




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 Jason D. Mallory, CPA, CIA

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 March 31, 2023

Date

cc: Mike Reeser, Chancellor/CEO  
 Gail Lawrence, Deputy Chancellor  
 Jennifer Tindell, Chief of Staff  
 Shelli Scherwitz, Executive Vice President/OIT  
 Larry McKee, Executive Director/OIT Compliance



State of Texas Federal Portion of the

# Statewide Single Audit Report for the Year Ended August 31, 2022



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

February 2023  
Report No. 23-315

**INDEPENDENT AUDITORS' REPORTS**  
**FEDERAL PORTION OF STATEWIDE SINGLE AUDIT REPORT**  
**YEAR ENDED AUGUST 31, 2022**



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

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

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

We have audited the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas, as of and for the year ended August 31, 2022, and have issued our report thereon dated February 22, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

*Lisa R. Collier*

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

February 22, 2023

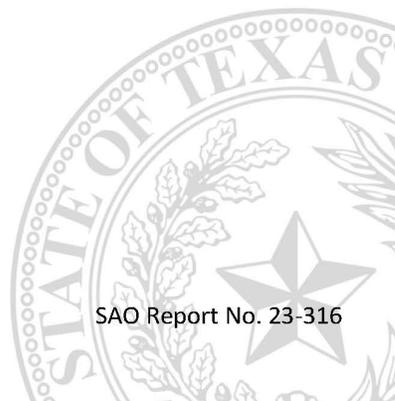
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SAO Report No. 23-316



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

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

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited the State of Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State of Texas's major federal programs for the year ended August 31, 2022. The State of Texas's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State's financial statements include the operations of a blended component unit, Texas A&M Research Foundation (TAMRF), which expended approximately \$72.5 million in federal awards, which is not included in the State's schedule of expenditures of federal awards for the year ended August 31, 2022. Our audit, described below, did not include the operations of TAMRF because the entity has engaged other auditors to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

***Qualified Opinions on Temporary Assistance for Needy Families and the Medicaid Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State of Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Temporary Assistance for Needy Families (TANF) and the Medicaid Cluster (Medicaid) for the year ended August 31, 2022.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2022.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

We are required to be independent of the State of Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the State of Texas's compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinions on TANF and the Medicaid Cluster*

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

Agency	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families	Reporting	2022-013
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2022-014

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

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State of Texas's federal programs.

**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Texas's compliance with the requirements of each major federal program as a whole. We did not audit the State's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution major federal program (the other auditor's major federal program), which represents approximately 0.3% of total federal assistance expended by the State for the year ended August 31, 2022. The other auditor's major federal program is identified in the accompanying schedule of findings and questioned costs as a major federal program and was audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the other auditor's major federal program is based solely on the reports of the other auditor.

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Texas’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State of Texas’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State of Texas’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Other Matters**

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

Agency/ University	Major Program	Compliance Requirement	Finding Number
Department of Family and Protective Services	ALN 93.558 – Temporary Assistance for Needy Families	Eligibility	2022-002
		Reporting	2022-003
Department of Public Safety	ALN 97.067 – Homeland Security Grant Program	Period of Performance	2022-004
Department of State Health Services	ALN 21.027 – Coronavirus State and Local Fiscal Recovery Fund	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-006
		Period of Performance	2022-007
		Reporting	2022-008
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families Medicaid Cluster SNAP Cluster	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-010

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

Agency/ University	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families	Reporting	2022-012
	Medicaid Cluster	Special Tests and Provisions – Medical Loss Ratio (MLR)	2022-015
Office of the Governor	ALN 16.575 – Crime Victim Assistance ALN 97.067 – Homeland Security Grant Program	Reporting	2022-016
Texas Commission on Environmental Quality	Drinking Water State Revolving Fund (DWSRF) Cluster	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-018
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program	Eligibility	2022-022
		Reporting	2022-023
		Special Tests and Provisions – ERA Funds Reallocation	2022-025
	ALN 93.568 – Low-Income Home Energy Assistance Program	Reporting	2022-024
Texas Workforce Commission	ALN 93.558 – Temporary Assistance for Needy Families	Reporting	2022-027
	Child Care and Development Fund Cluster	Reporting	2022-028

Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Texas’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Texas’s responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors’ Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

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

Agency	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families	Reporting	2022-013
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2022-014

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

Agency/ University	Major Program	Compliance Requirement	Finding Number
Department of Family and Protective Services	ALN 93.558 – Temporary Assistance for Needy Families	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-001
		Eligibility	2022-002
		Reporting	2022-003
Department of Public Safety	ALN 97.067 – Homeland Security Grant Program	Period of Performance	2022-004
		Reporting	2022-005
Department of State Health Services	ALN 21.027 – Coronavirus State and Local Fiscal Recovery Fund	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-006
		Period of Performance	2022-007
		Reporting	2022-008
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families Medicaid Cluster SNAP Cluster	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Eligibility, Matching, Level of Effort, and Earmarking, Reporting, Subrecipient Monitoring, Special Tests	2022-009
		Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-010

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

Agency/ University	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – Temporary Assistance for Needy Families	Earmarking	2022-011
		Reporting	2022-012
	Medicaid Cluster	Special Tests and Provisions – Medical Loss Ratio (MLR)	2022-015
Office of the Governor	ALN 16.575 – Crime Victim Assistance ALN 97.067 – Homeland Security Grant Program	Reporting	2022-016
Texas Commission on Environmental Quality	Drinking Water State Revolving Fund (DWSRF) Cluster	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Cash Management, Period of Performance, Suspension and Debarment	2022-017
		Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2022-018
		Period of Performance	2022-019
Texas Department of Agriculture	Food Distribution Cluster	Cash Management, Eligibility, Special Tests and Provisions-Accountability for USDA Foods	2022-020
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program ALN 93.568 – Low-Income Home Energy Assistance Program	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Cash Management, Eligibility, Earmarking, Period of Performance, Reporting, Subrecipient Monitoring, and Special Tests and Provisions	2022-021
		Eligibility	2022-022
	Reporting	2022-023	
	Special Tests and Provisions – ERA Funds Reallocation	2022-025	
	ALN 93.568 – Low-Income Home Energy Assistance Program	Reporting	2022-024

The Honorable Greg Abbott, Governor  
 The Honorable Glenn Hegar, Comptroller of Public Accounts  
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Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Workforce Commission	ALN 17.225 – Unemployment Insurance	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Eligibility, Reporting, Special Tests and Provisions	2022-026
	ALN 93.558 – Temporary Assistance for Needy Families	Reporting	2022-027
	Child Care and Development Fund Cluster	Reporting	2022-028
		Special Tests and Provisions – Fraud Detection and Payment	2022-029
The University of Texas M.D. Anderson Cancer Center	Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting	2022-101

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Texas’s responses to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The State of Texas’s responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



**CliftonLarsonAllen LLP**

Austin, Texas  
 February 22, 2023



# Statewide Single Audit Report for the Year Ended August 31, 2022

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

- The State’s basic financial statements for fiscal year 2022 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.
- The State’s Schedule of Expenditures of Federal Awards for fiscal year 2022 was materially correct in relation to the State’s basic financial statements.
- We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

In our audit opinion dated February 22, 2023, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2022. The Office of the Comptroller of Public Accounts (Comptroller’s Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2022, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

## Audit Objectives | p.33

*This audit was conducted in accordance with Texas Government Code, Section 403.013(c), and Title 31, United States Code, Section 7502.*

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

### INDEPENDENT AUDITOR’S REPORT

Summary of Auditor’s Results  
[Chapter 1 | p. 5](#)

Report on Internal Control  
[Chapter 1 | p. 6](#)

### SCHEDULE OF FINDINGS AND RESPONSES

Controls over Financial Findings  
[Chapter 2-A | p. 10](#)

Schedules of Expenditures of Federal Awards.  
[Chapter 2-B | p. 12](#)

Federal Award Findings and Questioned Costs  
[Chapter 3 | p. 21](#)

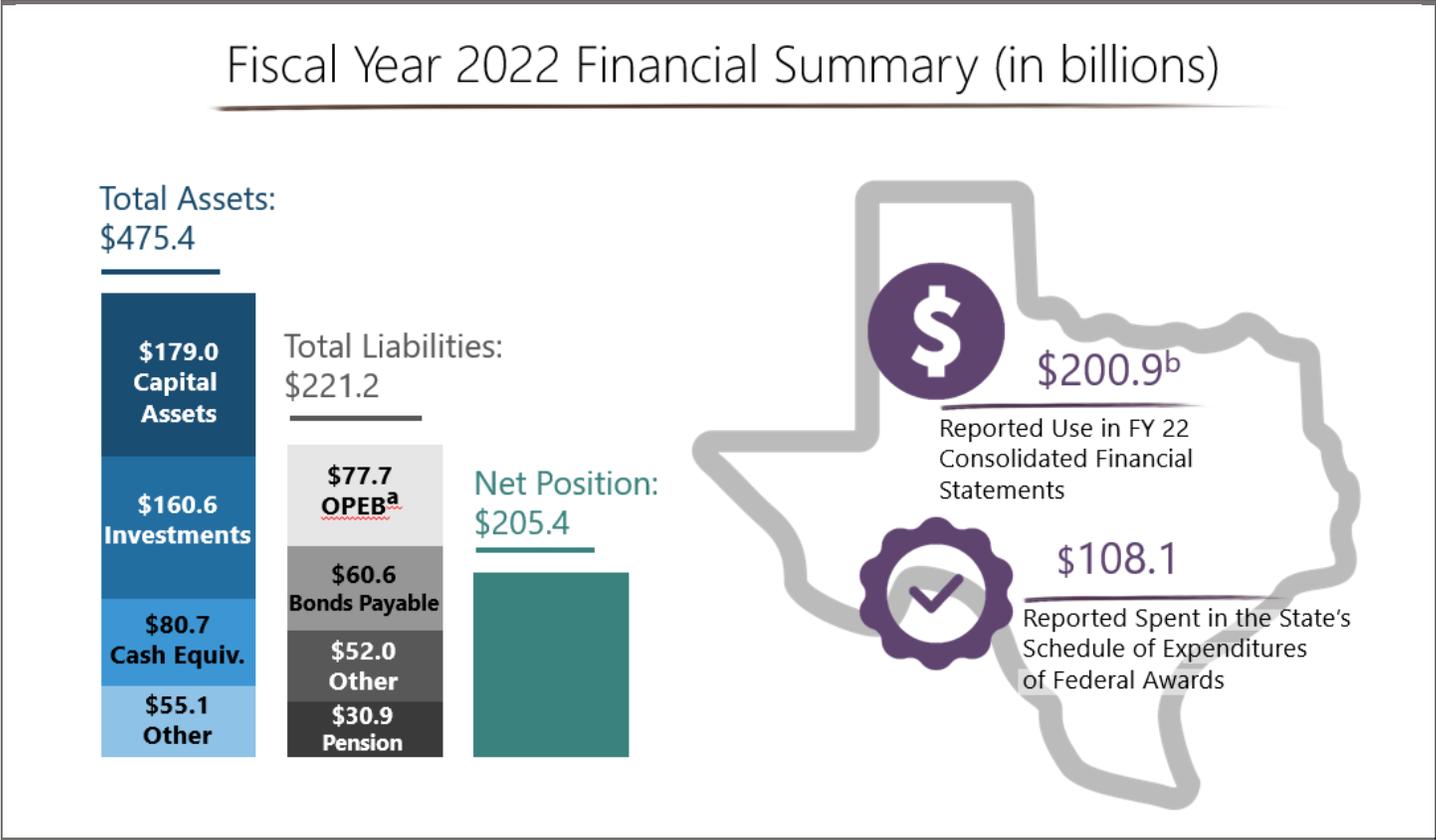
### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Summary Schedule of Prior Audit Findings  
[Chapter 4 | p. 22](#)

Schedule of Expenditures of Federal Awards – Prior Year Findings  
[Chapter 4 | p. 24](#)

Figure 1 summarizes the State’s key financial information for fiscal year 2022.

Figure 1



<sup>a</sup> OPEB is other postemployment benefits.

<sup>b</sup> The \$200.9 billion in annual expenditures exceeded the \$140.4 billion appropriated for fiscal year 2022 in the General Appropriations Act (GAA) primarily because:

- Certain expenditures (such as higher education institutions’ expenditures of funds held outside the State Treasury) are included in the Annual Comprehensive Financial Report (ACFR) but are not included in the GAA.
- The ACFR presents actual expenditures of federal funds, while the GAA presents estimated amounts for federal funds.
- Additional pension and OPEB-related expenditures are included in the ACFR but are not included in the GAA.

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## Fiduciary Funds

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The State is the trustee or fiduciary for 11 defined benefit pension and OPEB plans and 1 defined contribution pension plan. The State is also responsible for other assets that can be used only for trust beneficiaries. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. Those activities are reported separately from other financial activities because the State cannot use the assets to finance its operations. The State's fiduciary responsibilities include ensuring that assets reported in those funds are used for their intended purposes. The financial activity and balances for those fiduciary activities are not included in the fiscal year 2022 totals presented above.

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## Auditor Responsibilities

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Auditing the basic financial statements is not limited to verifying the numbers in those statements. Conducting this audit also requires the State Auditor's Office to obtain a sufficient understanding of the agencies and higher education institutions and their operating environments—including obtaining an understanding of the internal controls over systems and processes that the agencies and higher education institutions use to record their financial activities—to assess the risk of material misstatement of the financial statements. Through that effort, auditors identified a material weakness that one agency should correct to improve the reliability of its financial information. That weakness is discussed in Chapter 2-A of this report.

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## Schedule of Expenditures of Federal Awards

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The State Auditor's Office also audited the State's SEFA in relation to the ACFR for fiscal year 2022 and issued an unmodified opinion. The Comptroller's Office prepares the SEFA by using self-reported SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor's Office and CliftonLarsonAllen LLP (CLA) audited the processes for preparing SEFA information at 14 agencies and higher education institutions. Auditors identified errors related to the SEFA information at seven

agencies and higher education institutions. Those errors are discussed in Chapter 2-B of this report.

As part of the audit work for SEFA, auditors performed prior-year finding follow-up work at nine agencies and higher education institutions and determined that recommendations for 3 of those findings were not yet fully implemented (see the Summary Schedule of Prior Year Audit Findings in Chapter 4 of this report).

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## Compliance with the Single Audit Act.

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

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## Summary of Management Response

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



## Chapter 1 Summary of Auditor's Results

### Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. <b>Material weakness</b> identified?	Yes
b. <b>Significant deficiencies</b> identified not considered to be material weaknesses?	Yes
c. <b>Noncompliance material to financial statements</b> noted?	No

### Federal Awards

Findings regarding the Schedule of Expenditures of Federal Awards for fiscal year 2022 are included in Chapter 2-B of this report. All other fiscal year 2022 federal award information was issued in a separate report (see *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2022*, by CLA).



**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas as of and for the year ended August 31, 2022, and the related notes to the consolidated financial statements, which collectively comprise the State of Texas's basic financial statements, and have issued our report thereon dated February 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Department of Transportation, the Employees Retirement System, the Texas Lottery Commission, the Texas Treasury Safekeeping Trust Company, and the University of Texas System, as described in our report on the State of Texas's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the State’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

### *Summary of Findings and Responses*

Agency or Higher Education Institution	Finding Numbers
Office of the Comptroller of Public Accounts	23-555-01

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies.

### *Summary of Findings and Responses*

Agency or Higher Education Institution	Finding Numbers
Department of Public Safety	23-555-02
Department of State Health Services	23-555-03
Health and Human Services Commission	23-555-04
Texas Department of Agriculture	23-555-05
Texas Education Agency	23-555-06
Texas Water Development Board	23-555-07
The University of Texas M.D. Anderson Cancer Center	23-555-08

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the management of the audited entities.

#### **Other Work Performed by the State Auditor’s Office**

We issued opinions on the following financial statements, which are consolidated into the basic financial statements of the State of Texas:

- [\*A Report on the Audit of the Teacher Retirement System’s Fiscal Year 2022 Financial Statements\*](#) (State Auditor’s Office Report No. 23-010, December 2022).

- [\*A Report on the Audit of the Department of Housing and Community Affairs' Fiscal Year 2022 Financial Statements\*](#) (State Auditor's Office Report No. 23-013, December 2022).
- [\*A Report on the Audit of the Permanent School Fund's Fiscal Year 2022 Financial Statements\*](#) (State Auditor's Office Report No. 23-015, December 2022).

This report, insofar as it relates to the entities listed above, does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

### **State's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

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

February 22, 2023



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.