Meeting of the Board of Regents

Audit Committee

August 10, 2023
Abilene, Texas

TSTC
Texas State
Technical College ™

TABLE OF CONTENTS

Audit Committee
[Robert Misso, Lizzy de la Garza Putegnat]

Minute Orders:

Reports:

(c) denotes Consent Agenda Item

Board Meeting Date:	August 10, 2023	Proposed Minute Order #: IA 01-23(c)

Proposed By: Jason D. Mallory, Chief Audit Executive

Subject: Revision of Fiscal Year 2023 Audit Plan

Background: The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents approval for the Annual Audit Plan (Plan) and any revisions. The Chief Audit Executive recommends revising the Plan originally approved by Minute Order #IA 01-22(c) on August 18, 2022. Specifically it is requested that two audits be removed from the Plan: an audit of remote work processes, and an audit of Accounts Payable.

Justification: The Plan when approved included a project to validate at least 1/3 of all personal property items required to be tracked and inventoried annually. The audit was the only project assigned to one auditor. It was anticipated the audit would take her most of the year to complete. That auditor resigned in early September 2022 shortly after the audit began. Other auditors were immediately reassigned to the project since it was high priority. The audit required significantly more time than was originally anticipated, and involved the entire audit staff. It was completed in May 2023.

Due to the reassignments, 2 audits could not be completed. These audits will be reconsidered in future audit plans.

Additional Information: None

Fiscal Implications: No significant fiscal impact.

Attestation: The Minute Order is in compliance with all applicable laws and regulations to the best of my knowledge.

Attachment(s): None

Recommended Minute Order: "The Texas State Technical College Board of Regents approves revising the audit plan for Fiscal Year 2023 by removing audits of remote work processes and Accounts Payable."

Recommended By:

Jason D. Mallory, Director of Audits

| **Board Meeting Date:** | August 10, 2023 | **Proposed Minute Order #:** IA 02-23(c) |

Proposed By: Jason D. Mallory, Director of Audits

Subject: Proposed Audit Plan for Fiscal Year 2024

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 2024.

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 2024

Recommended Minute Order: "The Texas State Technical College Board of Regents approves the audit plan for fiscal year 2024 ."

Recommended By:

Jason D. Mallory, Director of Audits

Fiscal Year 2024 Audit Plan

Proposed August 10, 2023

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 2024. The Plan was developed through collaboration with the Board of Regents, Executive Management, and 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
- Risk or impact of fraud
- Financial impact a process, Department, or activity has on the College
- Turnover of key personnel
- Request by management or the Board
- Significance of regulatory exposure
- Recent known issues within a process, Department, or activity
- Regulatory requirement
- 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 5 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 (4 Staff * 2,080 available man hours)	8,320	100%
Less: Estimated holidays, leave & training	1,236	15%
Total hours available for audits, other projects & administration	7,084	85%

Proposed 2024 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.

2. **Outsourced Construction Audit(s):** The College is beginning several significant construction projects. Depending on the level of completion for each project, 3-5 audits will begin by a specialized external firm to verify contract compliance and to identify cost recovery opportunities.

3. **Internal/External Quality Assessment Review of Internal Audit:** The Texas Internal Auditing Act requires an assessment the quality of the services provided by Internal Audit every 3 years. That assessment will begin with an assessment performed by Internal Audit, that will then be evaluated by an external party.

4. **Audit of Public Funds Investment Act Compliance:** Every 2 years, an audit of investments to ensure compliance to the Public Funds Investment Act. This was last audited in fiscal year 2022.

5. **Grant Audit:** This audit will test compliance requirements for a currently outstanding grant.

6. **Audit of Accounting Controls (Foundation):** This audit will verify appropriate controls are in place to ensure accounting records related to the Foundation are reasonably accurate.

7. **Audit of Procurement Cards:** This audit will validate procedures related to purchases made by procurement cards. A significant part of this audit will include testing purchases to ensure they were for legitimate College purposes.

8. **Audit of the Student Grievance Process:** Students are afforded an opportunity to lodge grievance related to academic and non-academic issues. This audit will verify the process is working as intended by policy, and resolutions are reasonable and timely. .

9. **Fleet Management Audit:** This audit will test procedures related to managing the College's vehicle Fleet.

10. **Safety Audits on all campuses:** Safety processes must be audited every 3 years at each campus. This is audit was last performed in fiscal year 2021. Inspections based on a

safety checklist published by the Texas School Safety Center will be utilized. This audit will require several quarters to complete, with separate reports issued for each campus.

IT Audits

1. **Internal Network Penetration Test (West Texas campuses):** 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 (Marshall 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. **PCI Audit:** This audit will test the security of payment card information used when students and customers use credit/debit cards to make various payments. PCI standards will be utilized.

4. **Audit of CRIMES system:** This audit will test the system used by the Police to ensure includes the minimal controls required by TAC 202 controls. These controls ensure the integrity, reliability, confidentiality, and availability of the system

5. **TAC 202 Follow-up:** This will be a quarterly follow-audit of TAC 202 controls that were found in prior audit to need improvement.

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:** Will include projects requested by management. Will also include the preparation of the Annual Audit Report and the 2025 Audit Plan.

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
INTERNAL AUDITS						
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
Sick Leave Administration	HR	Complete	23-005A	4/3/23	-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office	Complete	23-020A	5/18/23	6/8/22	Required Annually
Personal Property Verification Audit	Finance/College-wide	Complete	23-003A	10/3/2022, 12/16/22, 3/23/23, 6/16/23	3/23/23	Risk Based
Audit of General IT Controls	OIT	Complete	23-018A	6/21/23	6/28/17	Risk Based
TAC 202 Follow-up Audit	OIT	Complete	23-002A	11/10/2022, 1/13/2023, 3/31/23, 7/31/23	3/31/23	Required Bi-annually
Payroll and Benefits Proportionality	Payroll/Finance	In Progress	23-019A		12/9/21	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 within the Harlingen Physical Plant	Physical Plant	In Progress	23-021A		-	Risk Based
Audit within the Waco Physical Plant	Physical Plant	In Progress	23-022A		-	Risk Based
~~Audit of Remote Work Processes and Procedures~~	~~College-wide~~	Recommend removing.			-	~~Risk Based~~
~~Accounts Payable Audit~~	~~Finance~~				~~5/17/19~~	~~Risk Based~~

EXTERNAL AUDITS

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
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		
Statewide Desk Audit of Dual or Multiple Employment Compliance performed by the Texas Comptroller.	Human Resources	Complete		5/2/23		

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
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
Management Report: Management requested we review a matter involving a manager using College equipment for personal use. Results: HR action was taken on the employee that was the subject of the investigation.	Waco Campus	Complete	23-015I	5/19/23

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: We did not identify any fraud, but made recommendations regarding improving processes related to employees enrolled in TSTC courses during working hours.	Instruction	Complete	23-013I	5/26/23
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 referred the investigation and resolution to the student grievance process. We limited our involvement to ensuring that process was followed, and the resolutions were reasonable. We determined that process was followed, and the resolutions were reasonable.	LVN Program/Harlingen Campus	Complete	23-017I	5/31/23
Internal Hotline: Received an allegation that an employee is under the influence while at work. Results: The report is being investigated by HR.		In progress		

Glossary	
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	Complete Date
Audit of Sick Leave Administration (23-005A)	1. Documentation and oversight for the various sick leave benefits need to be improved.	Documentation to support sick leave granted for more than three consecutive business days was missing for 25 of 30 employees we tested; the appropriate form to transfer accrued sick hours from prior employment with another State agency was not on file for 4 employees. In addition, we identified discrepancies in the hours noted on the form and hours actually transferred for 2 other employees; a spreadsheet is used to track hours donated and granted for the sick leave pool. We found discrepancies on this spreadsheet during our testing; in regards to the sick leave pool, we identified missing withdrawal forms, as well as forms that do not reconcile to the hours withdrawn; for sick leave donations made directly by one employee to another, we found discrepancies in actual hours donated/received to forms that were on file.	The Human Resources team will implement a quality control initiative coupled with updated procedures for leave administration.	Angela Sill	8/31/23

| **Annual Contract** | 1. | No material exceptions were identified. | | | |

1\

Personal Property Verification Audit (23-003A)	1. There are opportunities to improve control processes to ensure accurate recordation and safeguarding of personal property more effectively and efficiently.	Manual inventory procedures could be automated, no independent validation of property performed similar to what was done in this audit, property of terminated employees not reassigned timely, and several trends related to the accuracy of the annual inventory need to be corrected.	1.1 RFID asset tag technology will be implemented as part of the annual inventory process. The RFID initiative will be implemented in phases, strategically beginning with specific high value and/or high-volume areas.	Melinda Boykin	Begin by Fall 2023
			1.2 "Spot checks", each month, will be performed by Inventory Control staff beginning no later than September 2023. The spot checks will focus on high volume / high risk groups of assets. We will target no less than 50 assets each month, hopefully increasing spot check volume as the new process matures.	Melinda Boykin	9/30/23
			1.3 Working with Human Resources, off-boarding procedures will be reviewed and enhanced to achieve a full accounting and clear reassignment of all assets, as soon as practicable when an employee leaves TSTC.	Melinda Boykin	8/31/23
			1.4 A cross-functional team including members from Surplus Property, Asset Accounting, Inventory Control, Chiefs of Staff, and others will collaborate to better understand the negative trends identified and create solutions for improvements.	Melinda Boykin	Ongoing

2\

Audit of IT General Controls (23-018A)	1.	We identified 6 of 34 required TAC 202 controls that still need to be implemented. These controls relate to testing of the contingency and disaster recovery plans, physical and environmental access controls to the data centers, and the need to consider enhancements to controls related to mobile devices.	Six of 34 required controls required attention.		
			1.1 Implement a solution to assist in the authorizing, monitoring, and control of mobile devices accessing TSTC information pending available funding to implement the solution. This solution will allow TSTC to be able to monitor mobile devices that are enrolled in a Bring Your Own Device (BYOD) plan.	Shelli Scherwitz & Dale Bundy	8/31/24
			1.2 Update and test the disaster recovery plan by performing a tabletop exercise which will serve as training for those involved in the Disaster Recovery Plan. This plan will be updated and tested on an annual basis going forward.	Larry McKee	1/31/24
			1.3 Designate a person responsible for reviewing access and maintaining a list of all persons who have access to the Data Centers. OIT will review the access lists on an annual basis.	Larry McKee	8/31/23
			1.4 Work with the campus safety team to have the fire suppression systems tested and inspected in both data centers. The campus safety officer will ensure that the fire suppression systems are inspected on an annual basis.	Larry McKee	12/31/23

TAC 202	1.	No more controls were identified as being implemented. There are 10 controls still outstanding, but they are not ready to be tested.

Statewide Desk	1.	No findings identified related to TSTC .

Investigation of Personal Use of College Equipment (23-015I)	1.	Determined the employee who was the subject of the investigation used College equipment for personal use.	Numerous people validated, and the employee confirmed the use.	Employment was terminated.	Beth Wooten	Immediately

3\

Instructor Education Investigation (23-013I)	1. Procedures related to release time during working to take classes need to be improved.	No one was specifically responsible for tracking release time, no specific release times were documented, and the # of courses one employee took were extraordinary.	1.1 Update existing forms and the policy & procedures for improved management of this benefit. Enhancements will include identifying parties responsible for recognizing and managing scheduling conflicts, requiring the forms be completed to reflect specific approved release times, and consideration for limiting the number of instructional hours an employee can take per semester at the College. The revised guidance will be publicized to each Provost to communicate to their respective campuses.	Angela Sill	7/1/23
	2. We noted an instance where one of instructor appeared to not be approved to teach a course he taught.	The instructor was alternatively credentialed. One course he taught was not on the approved list.	2.1 He was qualified to teach the course, however. His records were not updated timely to reflect his qualifications. His records have been updated to reflect his qualifications. Additionally, the department chair was counseled to ensure she understands the importance of effective and timely communication with the credentialing group.	Jim Logan and Mike Bowers	Immediately

Investigation related	1. We determined that each grievance was resolved according to SOS ES 3.24 Student Grievances and Complaints. All resolutions appeared reasonable.

Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary			
	3/31/23	6/30/23	Audits cleared from (Added to) Schedule
Audits from FY 2020	1	1	0
Audits from FY 2021	2	1	1
Audits from FY 2022	3	1	2
Audits from FY 2023	3	6	(3)
Net Total	9	9	0

Highlights:

Faculty Credentials Audit: 2 corrective actions were verified as completed.
Tuition Audit: Final corrective action was implemented.
Career Services Audit: All corrective actions were taken.
Student Related Investigation (23-010I): All corrective actions were taken.

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), 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.	**Partially Complete:** Reviewed the matter on 6/26/23. L3 has put together a plan to clear the bone yard area. Pictures sent by Chad Wooten show that L3 has started clearing the area. Anticipated completion date is October 31, 2023. In addition, Chad is working with L3 on a new lease agreement.		10/31/23

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
Audit of Disbursements from Student Club Accounts (21-007A), Semien, C. Wooten	1. Controls are not consistently applied to ensure disbursements from Club Accounts are authorized and appropriate.	1.1 The College will cease the practice of administering club accounts by Fall of 2021 as clubs transition their funds. Student Life and Student Accounting staff will encourage student clubs to house their student club funds in a bank account off campus that is opened specifically and exclusively for the registered and recognized TSTC club. The new bank accounts will be 100% legally owned and controlled by the clubs themselves (not TSTC), and the club funds will no longer be accounted for in TSTC systems.	**Ongoing:** On 6/20, learned that action is being taken to reinstate the accounts. Appropriate controls are being considered.		9/30/23

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
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.	**Partially Complete:** As of 6/7/23, the SOS was updated in the new SOS template and is pending departmental and EMC review.	SOS E.S. 2.20 currently has edits and is going through the a new SOS template process for policy revisions.	5/31/23
T Drive Audit (23-012A), McKee	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.	**Ongoing:** Testing will be part of the quarterly TAC 202 follow-up.		12/31/23

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
		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.	**Ongoing:** Testing will be part of the quarterly TAC 202 follow-up.		12/31/23
Procurement Card Fraud Investigation (23-016I), Boykin	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.	**Ongoing**		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.	**Ongoing**		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.	**Ongoing**		8/31/23
Audit of Sick Leave Administration (23-005A), Sill	1. Documentation and oversight for the various sick leave benefits need to be improved.	1.1 The Human Resources team will implement a quality control initiative coupled with updated procedures for leave administration.	**Ongoing**		8/31/23

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
Personal Property Verification Audit (23-003A), Boykin	1. There are opportunities to improve control processes to ensure accurate recordation and safeguarding of personal property more effectively and efficiently.	1.1 RFID asset tag technology will be implemented as part of the annual inventory process. The RFID initiative will be implemented in phases, strategically beginning with specific high value and/or high-volume areas.	**Ongoing**		Begin in Fall 2023
		1.2 "Spot checks", each month, will be performed by Inventory Control staff beginning no later than September 2023. The spot checks will focus on high volume / high risk groups of assets. We will target no less than 50 assets each month, hopefully increasing spot check volume as the new process matures.	**Ongoing**		9/30/23
		1.3 Working with Human Resources, off-boarding procedures will be reviewed and enhanced to achieve a full accounting and clear reassignment of all assets, as soon as practicable when an employee leaves TSTC.	**Ongoing**		8/31/23
		1.4 A cross-functional team including members from Surplus Property, Asset Accounting, Inventory Control, Chiefs of Staff, and others will collaborate to better understand the negative trends identified and create solutions for improvements.	**Ongoing**		TBD

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 IT General Controls (23-018A), McKee, Scherwitz	1. We identified 6 of 34 required TAC 202 controls that still need to be implemented. These controls relate to testing of the contingency and disaster recovery plans, physical and environmental access controls to the data centers, and the need to consider enhancements to controls related to mobile devices.	1.1 Implement a solution to assist in the authorizing, monitoring, and control of mobile devices accessing TSTC information pending available funding to implement the solution. This solution will allow TSTC to be able to monitor mobile devices that are enrolled in a Bring Your Own Device (BYOD) plan.	**Ongoing**		8/31/24
		1.2 Update and test the disaster recovery plan by performing a tabletop exercise which will serve as training for those involved in the Disaster Recovery Plan. This plan will be updated and tested on an annual basis going forward.	**Ongoing**		1/31/24
		1.3 Designate a person responsible for reviewing access and maintaining a list of all persons who have access to the Data Centers. OIT will review the access lists on an annual basis.	**Ongoing**		8/31/23
		1.4 Work with the campus safety team to have the fire suppression systems tested and inspected in both data centers. The campus safety officer will ensure that the fire suppression systems are inspected on an annual basis.	**Ongoing**		12/31/23

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
Instructor Education Investigation (23-013I), Sill	1. Procedures related to release time during working to take classes need to be improved.	1.1 Update existing forms and the policy & procedures for improved management of this benefit. Enhancements will include identifying parties responsible for recognizing and managing scheduling conflicts, requiring the forms be completed to reflect specific approved release times, and consideration for limiting the number of instructional hours an employee can take per semester at the College. The revised guidance will be publicized to each Provost to communicate to their respective campuses.	**Pending Review**		7/1/23

A-20

Internal Audit Department

Audit Report

Audit of Sick Leave Administration (23-005A)
TEXAS STATE TECHNICAL COLLEGE

April 3, 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 of sick leave administration. The primary objective of this audit was to verify applicable policies and regulations are followed when administering short and long-term leaves of absence for illnesses (sick leave). This audit was requested by management during our fiscal year 2023 audit planning process in June 2022. Our scope included all sick leave transactions in fiscal year 2021 through March 1, 2023.

To accomplish this objective, we verified the processes and internal controls relied upon to administer sick leave in accordance with the Texas Human Resources Management Statutes Inventory, Texas Government Code Chapter 661- Leave, and various internal policies. We reviewed College policies, and verified time and attendance records were properly maintained. We reviewed documentation for standard sick leave and for the sick leave pools, and verified donations to the various pools or to other employees were properly approved and recorded. Sick leave balances of employees transferring to the College from another State agency were also tested to ensure the balances that were credited were correct. Finally, sick leave accruals were tested to verify they were calculated according to College policy.

We determined the College's leave policies generally complied with the Texas Human Resources Management Statutes Inventory and Texas Government Code, but enhancements could be made. A recommendation to revise written policies was included in a separate communication to management rather in this report because we feel this is a matter of process enhancement than it is risk. We did, however, identify a need to improve documentation and oversight of various sick leave benefits to ensure those are appropriate and recorded correctly. That is discussed in Finding #1 of this report.

Introduction

Employees have access to sick leave, a sick leave pool, a family leave pool, and family and medical leave. Employees accrue 8 paid sick leave hours monthly, and can use sick leave when illness, injury or pregnancy prevent the employee to perform his/her duties. These can also be used when the employee needs to care for an immediate family member.

Earned sick leave may be voluntarily donated to a sick leave pool or directly to another employee. Sick leave pool is intended to provide relief of a hardship if the employee exhausts all accrued leave hours. Specific documentation is required to both donate to, or withdraw from, the pool.

A family leave pool was recently approved in 2021 during the 87th legislature. This pool provides paid leave to an employee to bond with, or care for, a child during the first year following birth, adoption or foster placement. This pool can also be used to care for a seriously ill family member.

Employees also have access to Family and medical leave (FMLA) which provides up to 12 weeks of job protected, unpaid leave, due to birth, adoption, and care of spouse, child, or parent. It can also be used for a serious health condition related to the employee.

In fiscal year 2023, 50,697 sick leave hours have been used through 2/28/2023. Combined, the sick and family leave pools included 284,340 available hours. Twenty-three employees have utilized 3,903 hours from those pools this fiscal year.

Human Resources is responsible for administering employee benefits, to include those mentioned above.

Objectives

The primary objective of this audit was to verify applicable policies and regulations are followed when administering short and long-term leave of absences due to illness. Internal controls relied upon to ensure compliance were also validated.

Scope & Methodology

The scope of our audit included all sick leave transactions and processes in fiscal years 2021 through March 1, 2023. To accomplish this, we reviewed sick leave accruals, and usage of ordinary sick leave, sick leave pool, and family leave pool. We reviewed sick leave balances that were transferred from another State agency, and donations made directly to other employees or to the leave pools. We also reconciled College policies to the regulatory requirements. We utilized the following guidance as our methodology.

- Texas Human Resources Management Statues Inventory
- Texas Government Code Chapter 661
- TSTC SOS HR 2.3.9 Sick Leave Pool Administration, HR 2.3.12 Employee Leaves and Holidays, and HR 2.3.13 Family and Medical Leave

General Observations

The College has adopted various leave policies that generally comply with Texas Government Code, Chapter 661. Related records are maintained as required by Texas Government Code 661.908. Sick leave hours are being accrued according to College policy. Staff involved in this audit provided documentation when requested, and was responsive to questions we asked.

Summary of Finding
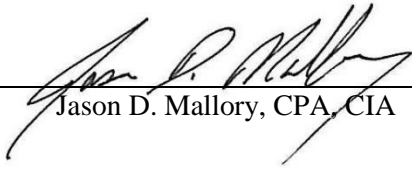
Documentation and oversight for the various sick leave benefits need to be improved.

Opinion

Based on the audit work performed, the College generally complies with Texas Government Code, Chapter 661, Leave; however, enhancements should be made in obtaining all required documents, and to accurately record donations and withdrawals.

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

Submitted by:

Jason D. Mallory, CPA, CIA

April 3, 2023

Date

Finding #1: Documentation and oversight for the various sick leave benefits need to be improved.

Criterion: We reviewed the use of standard sick leave and the sick leave pools. We also reviewed contributions and donations made to directly employees and the pools. We reviewed leave balances transferred from another State agency.

We identified the following exceptions:
- Documentation to support sick leave granted for more than three consecutive business days was missing for 25 of 30 employees we tested. Per SOS 2.3.12 and Texas Government Code Section 661.203(g), documentation showing the cause or nature of the condition is required. The type of documentation is not specifically stated.
- The appropriate form to transfer accrued sick hours from prior employment with another State agency was not on file for 4 employees. As such, we could not determine whether the hours that were credited to them were correct. In addition, we identified discrepancies in the hours noted on the form and hours actually transferred for 2 other employees.
- A spreadsheet is used to track hours donated and granted for the sick leave pool. We found discrepancies on this spreadsheet during our testing. Specifically, we noted 4 employees on the spreadsheet who appeared to donate hours, but no hours were actually deducted from their balances. These employees completed the appropriate documentation to donate the time, with the form being approved by HR.
- Also in regards to the sick leave pool, we identified missing withdrawal forms, as well as forms that do not reconcile to the hours withdrawn.
- For sick leave donations made directly by one employee to another, we found discrepancies in actual hours donated/received to forms that were on file.

Consequences: Errors in sick leave hours that are granted and subsequently used.

Possible Solutions: Enhance procedures to ensure required documentation and oversight is correct.

Management Response

Management in Human Resources agrees with the observations in the audit. The need for improved documentation is a result of inadequate quality control. By August 31, 2023, the Human Resources team will implement a quality control initiative coupled with updated procedures for leave administration. Angela Sill, Sr Executive Director of Shared Services will be responsible for managing the execution of this corrective action plan.

Internal Audit Department

Audit Report

Annual Contract Audit (23-020A)
TEXAS STATE TECHNICAL COLLEGE

May 18, 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 a contract compliance audit of a contract (Contract) executed on 10/12/21 with Imperial Construction, currently valued at $12,555,898. 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). This Contract is also being be reviewed by RL Townsend, a construction cost control auditor to ensure all amounts paid by TSTC were allowable under the contract. Results of this review will be issued in a separate audit report at a future date.

We verified that authorized persons within the College executed the contract, and that competitive and fair selection processes were utilized. We also verified other requirements were met, which include evidence that no conflict existed between the persons executing the contract and the vendor, appropriate training of these people, regulatory reporting was met, and other necessary procedural type steps were taken.

We found that the contract complied with the rules stated in TEC §51.9337 and the Handbook. The contract and subsequent amendments were approved by the appropriate level of authority, a contract checklist was completed, competitive bid processes were properly performed, required compliance forms were timely completed and the people engaged in the contracting process were trained.

Introduction

In July 2021, the Board of Regents approved the concept to renovate the first two floors of the John B. Connally Technology Center (JBC) at TSTC Waco. The renovations include a Multifunction Event Center, a Welcome Center and administrative offices on the second floor of the building. The contract was executed in October 2021, initially for pre-construction services. After subsequent amendments the project budget was approved for $13,000,000, with a recent change order reducing the budget to $12,555,898. Construction is expected to be completed in February 2024.

TEC §51.9337 requires that a contract review 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. OCA continues to utilize Rsolution, a contract management software that controls the workflow of solicitations of contracts, and acts as a central repository for related

contract documents. The OCA includes an Executive Director, a Director, four Contract Managers, a Project Manager, and is overseen by the Executive VP of Procurement.

Objectives

The primary purpose of this audit was to verify compliance to TEC §51.9337, internal policy, the Handbook, and the contract review checklist for the Imperial Construction, Inc. contract.

Scope & Methodology

The scope of our audit included the Imperial Construction, Inc. initially contract executed on October 12, 2021. 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 contract, and verified the appropriate documents, approvals, and training were in place.

General Observations

The Office of Contract Administration continues to utilize Rsolution which acts as a repository 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. Personnel are very diligent to ensure all compliance requirements are met.

Summary of Findings
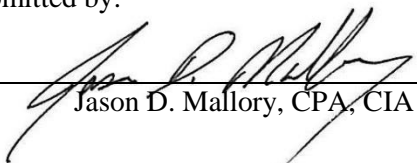
No material compliance exceptions were identified.

Opinion

Based on the audit work performed, the contract related to the construction of the JBC Building and supporting procedures complied with TEC §51.9337 and the Contracting Handbook.

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

Submitted by:

_____   May 18, 2023
Jason D. Mallory, CPA, CIA   Date

Internal Audit Department

Audit Report

Personal Property Verification Audit (23-003A)
TEXAS STATE TECHNICAL COLLEGE

June 16, 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 a comprehensive verification of personal property. This project was performed from September 1, 2022, through May 12, 2023. The primary objective of this audit was to verify the accuracy of the annual inventory of personal property conducted in fiscal year 2022, and to ensure the actual existence, condition, location, and steward of each recorded item. This audit was requested by the Board of Regents and Executive Management. All 24 thousand + items that are required to be tracked were within the scope of this audit.

To accomplish our objective, we selected a sample of 8,101 personal property items that were required to be tracked and inventoried annually. That sample represented approximately 1/3 of all recorded items as of that date. We verified the existence, condition, location, and steward of each item by physically observing each, and comparing our observations to information recorded in Workday. We also tested the participation rate of assigned stewards in completing training and actually conducting and reporting an inventory of their assigned assets. Real estate, intangible assets, library books, and historical artifacts were excluded from this audit. Approximately 600 employees of the total staff of 1,710 participated in this audit.

We determined financial records related to personal property owned by the College are reasonably stated. And, personal property owned by the College are generally safeguarded in a manner to limit misuse, loss, and theft.

We identified opportunities to improve control processes to better meet the objectives of accurate recordation and safeguarding in more efficient, and, in some cases, effective manners. Observations and recommendations are provided in detail in the Findings section of this report.

Introduction

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.

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 Chief Financial Officer (CFO) is the designated property manager.

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

Assets are assigned to individual employees, referred to as stewards, throughout the College. Stewards are responsible for ensuring the assets are properly used and safeguarded. They are also responsible for completing an inventory of all assigned assets by attesting to the location, condition, and existence of each item. That process is managed by a staff of 11 property accountability personnel in the Procurement Department within the Finance Division located on the Harlingen, Waco, Marshall, Ft. Bend, and Sweetwater campuses. There is also a dedicated staff of personnel who manage the identification and sale of items that are no longer needed. These people report directly to an Executive Director of Procurement, who reports to an Executive Vice President of Procurement. All staff are under the responsibility of the CFO.

The following information presents the scale of personal property that is managed, as well as a summary of the results from our tests.

Personal Property as of 8/7/22

Campus	Count (All)	Original Cost (All)	Book Value (All)	Count (Sample)	Original Cost (Sample)	Book Value (Sample)
Abilene	1,153	$6,384,731.34	$2,821,482.89	463	$2,371,482.81	$1,185,575.12
Austin	18	$29,041.53	$0	18	$29,041.53	$0.00
Breckenridge	173	$586,354.48	$263,185.68	74	$262,561.48	$55,887.39
Brownwood	363	$1,381,490.29	$371,742.07	108	$371,919.79	$42,642.29
Fort Bend	1,850	$10,217,956.41	$4,068,136.62	597	$4,057,701.14	$1,600,173.40
Harlingen	6,556	$30,516,323.04	$7,998,215.30	2,227	$9,357,754.16	$2,759,391.37
EWCHEC	432	$2,941,260.64	$1,018,071.63	118	$217,481.35	$23,546.39
Marshall	1,426	$7,724,308.86	$3,018,529.54	483	$2,383,425.64	$630,292.45
North Texas	917	$4,597,103.49	$1,650,607.66	327	$908,805.73	$74,823.22
Sweetwater	1,976	$10,278,198.67	$1,724,036.02	676	$3,423,031.51	$380,668.34
Waco	9,045	$42,050,515.87	$11,674,346.92	3,010	$15,231,384.44	$4,581,836.12
All	23,909	$116,707,284.60	$34,608,354.33	8,101	$38,614,589.58	$11,334,806.09
Percent of All	100%	100%	100%	34%	33%	33%

Test Results (Missing)

Campus	Sample Count	Missing Count	Original Cost (Missing)	Book Value (Missing)
Abilene	463	27	$41,590.97	$0.00
Austin	18	1	$829.99	$0.00
Breckenridge	74	5	$47,757.42	$0.00
Brownwood	108	13	$135,775.98	$0.00

Fort Bend	597	21	$29,974.71	$1,881.00
Harlingen	2,227	161	$498,990.40	$63,972.68
EWCHEC	118	11	$17,187.27	$787.52
Marshall	483	16	$22,970.23	$0.00
North Texas	327	11	$44,056.63	$0.00
Sweetwater	676	104	$700,434.52	$36,591.74
Waco	3,010	127	$238,143.17	$11,521.35
All	8,101	497	$1,777,711.29	$114,754.29
Percent of Sample	100%	6%	5%	1%

Detail of Missing Items

	Computers		Electronics		Equipment	
Location	**Count**	**Book Value**	**Count**	**Book Value**	**Count**	**Book Value**
Abilene	18	$0	2	$0	7	$0
Austin	1	$0	0	$0	0	$0
Breck	2	$0	0	$0	3	$0
Brown	6	$0	3	$0	4	$0
FBC	16	$0	3	$0	2	$1,881
Harlingen	90	$0	21	$0	50	$63,972.68
Hutto	9	$0	0	$0	2	$787.52
Marsh	14	$0	2	$0	0	$0
NT	8	$0	1	$0	2	$0
SWtr	46	$0	14	$0	44	$36,591.74
Waco	73	$0	28	$0	26	$11,521.35
All	**283**	**$0**	**74**	**$0**	**140**	**$114,754.29**

Note 1: 497 assets with a combined book value of $114,754.29 were not found during our testing.

Note 2: 94 employees were responsible for all 497 missing items.

Note 3: 13 missing pieces of equipment represented the total book value of $114,754.29.

Note 4: 7 stewards were responsible for all 13 missing assets with a book value.

Note 5: 8 stewards accounted for 50% of the count of all missing assets. Further inspection revealed only 3 stewards accounted for 29% of the count of all missing assets.

Test Results (Recording Exceptions)

Campus	Sample Count	Failed to Report as Missing	Inaccurate Condition	Inaccurate Location
Abilene	463	17	27	42
Austin	18	0	0	1
Breckenridge	74	5	7	3
Brownwood	108	5	4	4
Fort Bend	597	0	43	159

Harlingen	2,227	94	225	110
EWCHEC	118	0	6	3
Marshall	483	15	28	13
North Texas	327	7	16	8
Sweetwater	676	30	76	51
Waco	3,010	63	359	155
All	8,101	236	792	549
Percent of Sample	100%	3%	10%	7%

Test Results (Opportunities for Disposal or Redeployment)

Campus	Sample Count	Poor Condition	No Longer Being Used
Abilene	463	27	33
Austin	18	1	3
Breckenridge	74	10	6
Brownwood	108	13	14
Fort Bend	597	72	33
Harlingen	2,227	172	442
EWCHEC	118	14	48
Marshall	483	27	15
North Texas	327	19	45
Sweetwater	676	71	154
Waco	3,010	314	434
All	8,101	740	1,227
Percent of Sample	100%	9%	15%

Objectives

The primary objective of this audit was to validate the accuracy of the annual inventory conducted in fiscal year 2022 of personal property to verify the actual existence, condition, location, and steward of each recorded item. The actual processes relied upon to achieve these objectives were also reviewed.

Scope & Methodology

The scope of our audit included all 24 thousand + items that were recorded as of August 8, 2022. To accomplish our objectives, we physically observed a sample of 1/3 of the total assets on record. We validated existence, recordation accuracy, steward compliance to providing an accurate inventory of assigned assets, as well as the rate of completion of required training by all stewards. We utilized the following guidance as our methodology.

- Texas Government Code, Subchapter L, section 403.2715
- The State Comptroller's Office in their "SPA Process User's Guide"
- Statewide Operating Standard FA 1.19 Real and Personal Property Accountability

General Observations

We made several positive observations in the course of this audit that we would like to summarize.

- The implementation of Workday allows easy access to personal property data, and allows individual stewards the ability to initiate the transfer and disposal process of items without relying on manual processes that sometimes failed.
- Property accountability staff are actively engaged in monitoring property records, and contacting stewards when an action is necessary. They were also very involved during the course of this audit in following behind our daily activity to address issues we identified.
- Management within Procurement Services have been actively engaged in our testing, and seeking ways to improve processes that ensure recorded values and information is accurate, and that safeguards are in place. We understand that they will be implementing more technology to assist with the annual inventory process to make it more efficient and effective.
- Personnel responsible for surplus property have been actively engaged in identifying opportunities for disposals, and are doing a commendable job of converting those opportunities to cash.
- The majority of stewards were very responsive to our efforts, and accommodated our requests. The results demonstrate that those stewards are generally satisfying their safeguarding responsibilities, and assisting with maintaining accurate records.
- Unrelated to the primary goal of this audit, but noteworthy. Our interactions with so many staff and faculty reinforced our opinion that employees have a very strong desire to succeed in not only their primary roles, but their other responsibilities, such as asset stewardship.
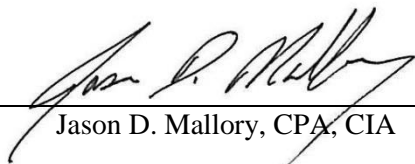
Summary of Finding

There are opportunities to improve control processes to ensure accurate recordation and safeguarding of personal property more effectively and efficiently.

Opinion

Based on the audit work performed, personal property owned by the College is reasonably stated in financial records, and appropriately safeguarded. While processes are in place to achieve these requirements, there are opportunities that should be pursued to meet them in a more effective and efficient manner. 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 16, 2023
Jason D. Mallory, CPA, CIA	Date

Finding #1: There are opportunities to improve control processes to ensure accurate recordation and safeguarding of personal property more effectively and efficiently.

Criterion: We reviewed inventory records, physically observed over 8,000 assets, and reviewed processes which affect financial records and safeguarding of assets.

We feel the following observations and recommendations would improve the effectiveness and efficiency in managing the volume of personal property the College owns:

1. The man hours and associated labor cost with taking a complete physical inventory using the manual methods currently can be reduced. We conservatively estimated our work in validating just 8,101 assets cost well over $100 thousand and over a year in man hours. With over 1,300 employees acting as stewards and annually taking an inventory, we also conservatively estimated that annual cost to be over $200 thousand without considering the employment costs of the employees within property accountability.

   To achieve more reliable annual inventory results in a less expensive manner, we recommend management phase in available technology to track and inventory personal property. We feel the return on investment would be realized in a very short period of time given the current costs of managing personal property.

2. This audit is the first time an independent validation to this extent has been performed of personal property, to our knowledge. The project heightened the awareness throughout the College of the importance to protect and report assets properly.

   To keep this momentum, we recommend staff in property accountability perform validations of a sample of assets annually going forward, similar to the methods used by Internal Audit in this project. Any exceptions should be immediately resolved, with trends communicated to the appropriate level of management for action. Internal Audit can assist with the sampling methodology to lend an element of independence to the validation.

3. We identified several instances in our testing in which terminated employees were still assigned assets. The most egregious example included over 100 assets assigned to a former employee who had been retired for over 4 months. There were other instances in which employees voiced frustration that assets were assigned to them after someone terminated.

   We recommend off-boarding procedures be enhanced to include a full accounting of all assets assigned to a terminated employee within a reasonable time after termination. In an ideal circumstance, we recommend the accounting be performed prior to the employee clearing the campus. While HR is very good about securing assets such as laptops during

terminations, someone needs to also validate the location and existence of all other assets. As part of these enhanced procedures, the person(s) who will be re-assigned the assets needs to be involved in the validation to limit duplicate efforts and get buy-in from the person before the assets are reassigned.

4. We identified 4 trends that require attention. First, for the 497 assets we could not locate, almost half of those were not reported as missing in the annual inventory. Second, we identified the majority of missing items were computers and tablets, suggesting a need for old machines to be removed from stewardship more timely. Third, over 15% of the assets we tested were not being used. This indicates significant opportunities for disposal or redeployment of those assets. Finally, there were numerous instances of condition and location not being accurately recorded in Workday. We feel this matter would be corrected through the annual validation process recommended in #2.

We recommend a cross-functional collaborative effort be undertaken to implement additional processes to address the trends we identified related to missing assets and underutilized assets.

Consequences: The cost of controls may be higher than is necessary, without realizing their optimal benefit.

Possible Solutions: See individual recommendation stated above.

<div align="center">

Management Response

</div>

The Chief Financial Officer and management of the Procurement Department agree with the observations made in the audit. Safeguarding of assets and accurate recordation of assets have not always been efficient and/or effective, as the result of dated and labor-intensive internal control procedures, combined with a very high volume of assets that are required to be tracked. By the dates noted below, the following process improvements will be in place:

1) RFID asset tag technology will be implemented as part of the annual inventory process. Though it will require an initial investment in hardware and software, the significant reduction of staff-hours required to complete the inventory, along with the elimination of most human error risk, will make the recordation of assets much more cost efficient and effective. The RFID initiative will be implemented in phases, strategically beginning with specific high value and/or high-volume areas. Testing, procuring and planning for the implementation will begin in Summer 2023, and fully functional tags are expected to begin being deployed in Fall 2023.

2) "Spot checks", each month, will be performed by Inventory Control staff beginning no later than September 2023. The spot checks will focus on high volume / high risk groups of assets. We will target no less than 50 assets each month, hopefully increasing spot check volume as the new process matures. Memos summarizing the results of the spot checks will be written and distributed

by Inventory Control staff to appropriate management to ensure that exceptions are resolved in a timely manner.

3) Working with Human Resources, off-boarding procedures will be reviewed and enhanced to achieve a full accounting and clear reassignment of all assets, as soon as practicable when an employee leaves TSTC. This cross divisional effort will begin in Summer 2023, but will likely take several months to formalize and actually implement new, consistent procedures.

4) A cross-functional team including members from Surplus Property, Asset Accounting, Inventory Control, Chiefs of Staff, and others will collaborate to better understand the negative trends identified and create solutions for improvements. Further, the Continuous Improvement Action Group (CIAG) will monitor missing asset trends and statistics at each committee meeting. These groups have already been convened, and the work will be ongoing.

Jeni Gooden, Chief of Staff - Finance, and Melinda Boykin, Executive Vice President - Procurement Services, will be responsible for implementation of this corrective action plan.

Internal Audit Department

Audit Report

Audit of IT General Controls (23-018A)

TEXAS STATE TECHNICAL COLLEGE
Office of Information Technology

June 21, 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 of select IT General Controls (ITGC), with a specific focus on those related to network security and operation, and the security of the data centers on the Harlingen and Waco campuses that house critical network equipment. For the purposes of this audit, we define ITGCs as controls that are required to help govern the process of IT, rather than specific controls directed at a unique system or application. They prevent data theft, unauthorized access, operational disruption, and data breaches. We utilized the Security Control Standards Catalog Version 2.0 published by the Texas Department of Information Resources as the basis for the controls we tested. This catalog is an integral component of TAC 202 compliance.

We tested 34 specific controls in 11 control families. These controls related to access, security of the physical environment, audit logs, written security assessments, configuration management, and contingency planning.

We determined 27 of the 34 controls tested were implemented. We did identify opportunities to improve 6 controls related to access & security of the data centers, periodic testing of the contingency and disaster recovery plans, enhancing for managing risks associated with mobile devices. There was 1 control related to user installed software that was also not implemented, but the risk associated with that was accepted in a prior year, and disclosed in the TAC 202 Quarterly Attestation Update memo. The following table summarizes the required TAC 202 controls we reviewed, and our results:

Control Family	Implemented	Implemented with Recommendations	Not Implemented
Access Controls	3	1	1
Audit and Accountability Controls	1	0	0
Security Assessment and Authorization Controls	2	2	0
Configuration Management Controls	1	1	1[Note 1]
Contingency Planning Controls	1	1	2
Maintenance Controls	4	0	0
Physical and Environmental Protection Controls	6	0	3
Program Management Controls	1	0	0
Personnel Security Controls	1	0	0

Risk Assessment Controls	1	0	0
System and Communication Protection Controls	1	0	0
Total	**22**	**5**	**7**

Note 1: The risk for this control was accepted in FY 2020 because there are compensating controls related to user installed software other than simply unilaterally restricting such installations.

Introduction

IT General Controls (ITGC) are controls that apply to all systems, components, processes, and data for any given organization or information technology (IT) environment. They ensure proper implementation of applications, as well as the integrity of programs, data, files, and computer operations. Common ITGCs include access controls over IT infrastructure, system and data backup and recovery, data center physical security, and program management controls. Texas Administrative Code Chapter 202 (TAC 202) outlines the minimum information security and cybersecurity responsibilities and roles at state agencies and institutions of higher education. The applicable standards rely heavily on the National Institute of Standards and Technology (NIST) Special publication (SP) 800-53, R4.

The Office of Information Technology (OIT) oversees the IT environment. That division is headed by a Vice Chancellor & Chief Information Officer, with day to day operations overseen by the Executive Vice President of OIT Administration Services. There is a total of 64 staff members within the OIT division

Objectives

The objectives of the audit were to verify select TAC 202 controls were in place, especially as they relate to the College's IT network and its data centers on the Harlingen and Waco campuses.

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 TSTC's IT environment. Thirty-four 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 policies and procedures, tested access to areas housing sensitive information systems/data. and verified physical controls related to Waco and Harlingen's data centers, and back-up and recovery.

General Observations

Network communications are secure and monitored for anomalies within the IT environment. There are processes in place to review logs for outside network communication to the internal network with the use of a virtual private network. The majority of IT Policies and Procedures are in place to aid OIT staff in supporting the network. There is a robust knowledge base with

information to help support staff with information technology responsibilities. Wireless communication services are documented and inspected on an ongoing basis to prevent rogue hotspots and data leaks. There are processes and procedures in place to ensure publicly accessible content is not published incorrectly. Sensitive areas housing the network infrastructure are generally well controlled, with visitor logs being maintained, and the presence of operable alarm and fire suppression systems. Third-party personnel access is maintained by signed access authorization forms. The network is protected by cryptographic encryption that is above the required 128-bit requirement. Risk assessments are performed on programs/applications before they are approved for use.

Summary of Finding

We identified 6 of 34 required TAC 202 controls that still need to be implemented. These controls relate to testing of the contingency and disaster recovery plans, physical and environmental access controls to the data centers, and the need to consider enhancements to controls related to mobile devices.

Opinion

Based on the audit work performed, the College has implemented most of the required TAC 202 general controls we tested. While we noted 6 controls we feel need attention, these controls relate to 3 areas. Several of the controls will be addressed by one corrective action.

We would like to extend our appreciation for the time and assistance given by management and employees during this audit, and commend them for the obvious attention they have given to ensuring controls are in place and operating as intended.

Submitted by:

_____   June 21, 2023
Jason D. Mallory, CPA, CIA   Date
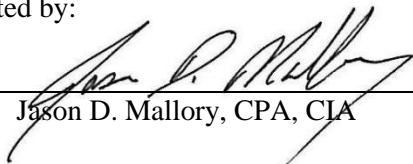
Finding #1: We identified 6 of 34 required TAC 202 controls that still need to be implemented. These controls relate to testing of the contingency and disaster recovery plans, physical and environmental access controls to the data centers, and the need to consider enhancements to controls related to mobile devices.

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, access and security procedures, and logs.

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
Contingency Planning Controls	2
Physical and Environmental Controls	3
Total	**6**

Consequences: Increased risks.

Possible Solutions: We recommend the 6 missing controls be implemented, or consideration be given to formally accepting the risks associated with controls that may be too costly to implement.

Management Response

AC -19: Management of the Office of Information Technology agrees with the observations made in the audit. The lack of ability to authorize, monitor, or control mobile devices when accessing TSTC data was the result of not having a mobile device management or endpoint management system in place for mobile devices. By August 31, 2024, the Office of Information technology will implement a solution to assist in the authorizing, monitoring, and control of mobile devices accessing TSTC information pending available funding to implement the solution. This solution will allow TSTC to be able to monitor mobile devices that are enrolled in a Bring Your Own Device (BYOD) plan. Shelli Scherwitz, EVP-OIT, along with Dale Bundy, VC-CIO, will be responsible for implementation of this corrective action plan.

CP-3 & CP-4: Management of the Office of Information Technology agrees with the observations made in the audit. The lack of training and testing the IT disaster recovery plan was the result of not having tested the IT Disaster Recovery Plan. By January 31, 2024, OIT will update and test the disaster recovery plan by performing a tabletop exercise which will serve as training for those

involved in the Disaster Recovery Plan. This plan will be updated and tested on an annual basis going forward. Larry McKee, Executive Director of IT Compliance will be responsible for implementation of this corrective action plan.

PE-2 & PE-3: Management of the Office of Information Technology agrees with the observations made in the audit. The lack of regular review of access to the data centers was the result of the pandemic, and not having one central person managing access to the data centers. By August 31, 2023, the Office of Information Technology will have a designated person responsible for reviewing access and maintaining a list of all persons who have access to the Data Centers. The Office of Information Technology will review the access lists on an annual basis. Larry McKee, Executive Director of IT Compliance will be responsible for implementation of this corrective action plan.

PE-13: Management of the Office of Information Technology agrees with the observations made in the audit. The lack of fire suppression system testing was the result of the pandemic, and organizational safety team changes. By December 31, 2023, the Office of Information Technology will work with the campus safety team to have the fire suppression systems tested and inspected in both data centers. The campus safety officer will ensure that the fire suppression systems are inspected on an annual basis. Larry McKee, Executive Director of IT Compliance will be responsible for implementation of this corrective action plan.

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

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

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

There are 135 required controls that agencies must apply to the general IT environment 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, VC/CAE
Subject: TAC 202 Compliance – Quarterly Update
Date: July 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 April 1 through July 31, 2023, there were no additional required controls implemented. While controls from the T Drive Audit were available to test, they were not yet due. An audit of IT General Controls was also completed in June in which 34 controls were tested. This audit is also included in 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 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
As of June 2022	38	11	0	0	49

VPN
Original Audit: November 22, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted Note 5	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

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2023 – Mar 2023	47	4	0	0	51
Jan 2023 – Mar 2023	47	4	0	0	51
Difference	0	0	0	0	

T Drive   Original Audit: March 17, 2023

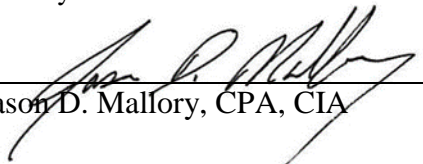| Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
April 2023 – July 2023	37	0	4	0	41
Jan 2023 – Mar 2023	37	0	4	0	41
Difference	0	0	0	0	

IT General Controls   Original Audit: June 23, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted Note 4	Total
April 2023 – July 2023	21	6	6	1	4
Jan 2023 – Mar 2023	0	0	0	0	0
Difference	+21	+6	+6	+1	

Note 4: *In Note 1 for the General Controls Audit conducted in FY 2017, management elected to not fully implement CM-11 related to end-user installed software. They feel compensating controls such as malware and the ability to restrict specific downloads from the internet assist with mitigating associated risks. They continue to accept this risk to the extend it is not fully controlled by completely restricting administrator rights on laptops and PCs. .*

Submitted by:

_____   July 31, 2023
Jason D. Mallory, CPA, CIA   Date

cc: Mike Reeser, Chancellor/CEO
         Dale Bundy, VC/CIO
         Shelli Scherwitz, Executive Vice President/OIT
         Larry McKee, Executive Director/OIT Compliance

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.