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[Lizzy de la Garza Putegnat (Chair), Robb Misso]

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**Board Meeting Date:** November 9, 2023 **Proposed Minute Order #:** IA 03-23(c)

**Proposed By:** Jason D. Mallory, VC/Chief Auditor

**Subject:** Internal Audit Charter - Review and Reapproval

**Background:** The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires all State agencies that have an operating budget that exceeds \$10 million, has more than 100 full-time equivalent employees, or receives and processes more than \$10 million in cash in a fiscal year have an internal audit function. Each internal audit function must be led by a person who is either a certified public accountant or certified internal auditor. The internal audit function shall also conform to the Standards for the Professional Practice of Internal Auditing, the Code of Ethics contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors, and generally accepted government auditing standards.

The Professional Practices Framework requires a charter be adopted by the governing board which defines the responsibilities and authority of the internal audit function. This charter must be reviewed periodically for changes. Traditionally, this review has been performed annually at the Fall meeting of the TSTC Board of Regents, with reapproval only occurring if changes are made. In fiscal year 2021, the Board of Regents directed the charter be reviewed and reapproved annually, irrespective of changes. This review and reapproval was last performed on November 10, 2022, at Minute Order #IA 02-22(c).

**Justification:** This minute order is intended to satisfy the annual review and reauthorization requirement of the charter for fiscal year 2024.

The attached charter is intended to be a stand-alone document, subject only to the review of the Audit Committee, and approval by the Board of Regents. The charter defines the purpose, role, authority, reporting structure, and responsibilities of the Internal Audit Department.

**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. A-1

**Attachment(s):** Internal Audit Charter

**Recommended Minute Order:** "The Texas State Technical College Board of Regents approves the Internal Audit Charter which grants specific authority, responsibilities and limitations to the Internal Audit Department."

**Recommended By:** [ORIGINAL SIGNED BY]  
Jason D. Mallory, Director of Audits



# **INTERNAL AUDIT CHARTER**

**for**  
**Texas State Technical College**

## **INTRODUCTION**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## **PURPOSE**

The purpose of the Department of Internal Audit at Texas State Technical College (TSTC) is to provide the Board of Regents an independent appraisal of the adequacy and the effectiveness of the College's system of internal controls as they relate to accounting, operating, and compliance objectives, and the quality of performance when compared with established standards. The primary objective is to assist the Board of Regents, Chancellor and management in the effective discharge of their responsibilities.

## **ROLE**

The internal audit activity is formally established by Texas Government Code, Title 10, Subtitle C, Chapter 2102, otherwise known as the Texas Internal Auditing Act. The Department of Internal Audit is the College's internal audit activity. The Audit Committee of the Board of Regents provides oversight. The Department of Internal Audit works to be a trusted advisor to management in the areas of governance, risk management and internal controls.

## **PROFESSIONALISM**

The Institute of Internal Auditors' mandatory guidance, which include the Definition of Internal Auditing, the Code of Ethics, the Core Principles, and International Standards for the Professional Practice of Internal Auditing (Standards), as well as Generally Accepted Government Auditing standards and the Texas Internal Auditing Act provide structure for the Department of Internal Audit. This mandatory guidance constitutes principles for the fundamental requirements for the Professional Practice of Internal Auditing, and for evaluating the effectiveness of the Department of Internal Audit's performance.

The Institute of Internal Auditors' Implementation Guidance and Supplemental Guidance will also be adhered to as applicable. In addition, the Department of Internal Audit will adhere to relevant TSTC policies and procedures, as well as performance requirements set forth in a departmental maintained procedures manual.

## **AUTHORITY**

The Department of Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized unrestricted access to any and all TSTC records, both manual and electronic; physical properties and assets; activities; systems; and personnel pertinent

to carrying out any approved engagement. All TSTC employees should try in a timely and ethical manner to assist the Department of Internal Audit in fulfilling its roles and responsibilities when requested for an audit, investigation, or other activity. The Chief Audit Executive (CAE) will also have free and unrestricted access to the Audit Committee.

### **ORGANIZATION**

The Department of Internal Audit is an integral part of TSTC and functions in accordance with the policies established by the Board of Regents. To provide for the independence of the Department of Internal Audit, the CAE is appointed directly by the Board of Regents. The CAE reports functionally to the Board of Regents, but administratively to the Chancellor.

The CAE will communicate and interact directly with the Audit Committee during committee meetings, executive sessions where allowed by law, and between committee meetings, as appropriate and needed. Responsibilities of the Audit Committee are outlined in the Board of Regents' Bylaws.

### **INDEPENDENCE AND OBJECTIVITY**

The Department of Internal Audit will remain free from interference by any element in the College. No manager may interfere with, or have undue influence on, audit selection, scope, audit procedures and techniques, frequency, timing, or report content. This is intended to maintain a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any activity outside of the Department of Internal Audit. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment or ability to act without bias. Internal auditors may provide assurance services where they have previously performed consulting services provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee at least annually the organizational independence of the Department of Internal Audit and its staff members.

### **RESPONSIBILITY**

The Department of Internal Audit's scope encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the College's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the College's stated goals and objectives. This includes:

- Developing a flexible, annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to Audit Committee for review and to the Board of Regents for approval on an annual basis.
- Developing and utilizing a systematic, disciplined approach for performing internal audits.
- Providing audit coverage that consistently meets the needs and expectations of the Board of Regents, Chancellor, and oversight agencies where applicable.
- Developing relationships throughout the College to become a trusted advisor to management on risk management, governance and internal control matters.
- Maintaining a professional audit staff with sufficient knowledge, skills, abilities, experience, and professional certifications.
- Evaluating risk exposure relating to achievement of the College's strategic objectives.
- Evaluating the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on the College.
- Evaluating compliance with laws, regulations, policies, procedures, and controls.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned and the effectiveness and efficiency of the operations and programs.
- Evaluating risk management, control, and governance processes.
- Coordinating with external auditors and serving as a liaison, as applicable.
- Performing consulting services related to governance, risk management and control as appropriate, and documenting the understanding of the consulting engagement objectives, scope, responsibilities and expectations for significant engagements.
- Performing advisory services related to governance, risk management and control, as appropriate. Such services may include management requests, participation on College committees, policy reviews, and participation on teams for information technology projects and business process improvements.

- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.
- Conducting inquiries or investigations of suspected fraudulent activities in accordance with SOS GA 1.15, Fraudulent Use of Assets and Resources.
- Assisting with the anti-fraud program for the College by implementing an anonymous fraud hotline per SOS GA 1.17, Fraud Hotline.
- Facilitating risk assessment processes with management.
- Maintaining a list of management corrective action plans from audits and projects, and performing follow-up audits on those plans as necessary.
- Providing a systematic, disciplined approach to evaluate and improve the effectiveness of the Colleges risk management, control, and governance processes related to contracts and risk-based testing of contract administration as required by Texas Education Code, Section 51.9337(h).
- Presenting educational opportunities periodically to the Audit Committee on the subject of internal auditing and risk management.
- Staying abreast of current risk, regulatory, and audit trends, and communicating those to management and the Audit Committee, as appropriate.

### **INTERNAL AUDIT PLAN**

At least annually, the CAE will submit to the Board of Regents an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The internal audit plan will be developed based on a prioritization of the audit universe using an appropriate risk-based methodology, including input of Executive and Senior managers, and the Board of Regents. The CAE will consider audits, at a minimum, of information security, contracts, contract administration, investments, and other areas. The CAE will review and adjust the plan, as necessary, in response to changes in the internal audit resource levels or those of the College's business, risks, operations, programs, systems, and controls. Any significant deviation from the internal audit plan will be communicated to the Audit Committee and approved by the Board of Regents.

### **REPORTING AND MONITORING**

The CAE will communicate the results of each internal audit engagement to the appropriate managers in the form of a written report. Internal audit results will also be communicated to the Audit Committee and state and federal oversight agencies as required.

Communication of results of each engagement may vary in form and content depending upon the nature of the engagement and the needs of the client. Where applicable, a formal internal audit report will include management's response and corrective action taken or to be taken in regard to



the specific findings and recommendations. Management's response should include a responsible person and implementation date for all anticipated corrective action plans.

The Department of Internal Audit will follow-up on management corrective action plans to address engagement findings and recommendations, and will report the results to appropriate management members and the Audit Committee. All significant findings will remain as open issues until reviewed and cleared by the Department of Internal Audit.

The Department of Internal Audit will fulfill reporting requirements for audit reports and the annual report, including the annual audit plan, as prescribed by the Texas Internal Auditing Act.

The CAE will periodically report to the Audit Committee on the Department of Internal Audit's purpose, authority, and responsibility, as well as performance relative to its audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The CAE will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing, the Core Principles, and the Standards. The program also assesses the efficiency and effectiveness of the Department of Internal Audit and identifies opportunities for improvement.

The CAE will communicate to the Audit Committee the Department of Internal Audit's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every three years.

### **RELEVANT STATUTES AND POLICIES**

- Texas Internal Auditing Act
- Applicable College Statewide Operating Standards Regulations
- SOS GA 1.14, Audits and Reviews by External Auditors
- SOS GA 1.15, Fraudulent Use of Assets and Resources
- SOS GA 1.16, Reporting of Wrongdoing or Retaliation
- SOS GA 1.17, Fraud Hotline
- Texas Education Code, Section 51.9337(h)

### **APPROVAL**

The Internal Audit Charter was last submitted by the CAE for review by the Audit Committee and approval by the Board of Regents on November 10, 2022 at Minute Order #IA 02-22(c).



**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
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	Complete	23-019A	8/14/23	12/9/21	Risk Based
Cost Recovery Audit - Fort Bend Construction	Construction	Complete	23-008A	8/24/23	-	Risk Based
Facilities Maintenance Audit Harlingen Campus	Physical Plant	Complete	23-021A	9/7/23	-	Risk Based
Facilities Maintenance Audit Waco Campus	Physical Plant	Complete	23-022A	9/7/23	-	Risk Based
Follow-up Audit on Texas Cyber Security Framework Assessment	OIT	Complete	23-001A	9/22/23	5/23/22	Risk Based
Construction Audit of JBC Remodel	Construction	In Progress	23-008A		-	Risk Based
Construction Audit of Waco Annex	Construction	In Progress	23-008A		-	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		
Statewide Desk Audit of Dual or Multiple Employment Compliance performed by the Texas Comptroller.	Human Resources	Complete		5/2/23		
FY 2022 Single Audit Evaluation Management Letter by the THECB	Finance	Complete		8/18/23		
Compliance Monitoring Desk Review of the Texas Educational Opportunity Grant (TEOG) by the THECB	Financial Aid	Complete		8/31/23		

**OTHER INTERNAL PROJECTS**

<p>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.</p>	<p>Enrollment Services</p>	<p>Complete</p>	<p>23-006I</p>	<p>9/16/22</p>
<p>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.</p>	<p>Student Discipline</p>	<p>Complete</p>	<p>23-010I</p>	<p>3/8/23</p>
<p>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.</p>	<p>Student Discipline</p>	<p>Complete</p>	<p>23-014I</p>	<p>No report issued.</p>
<p>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.</p>	<p>Dual Enrollment</p>	<p>Complete</p>	<p>23-016I</p>	<p>3/22/23</p>
<p>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.</p>	<p>Waco Campus</p>	<p>Complete</p>	<p>23-015I</p>	<p>5/19/23</p>
<p>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.</p>	<p>Instruction</p>	<p>Complete</p>	<p>23-013I</p>	<p>5/26/23</p>

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	23-0171	5/31/23
Internal Hotline: Received an allegation that an employee is under the influence while at work. Results: The report was investigated by HR. The employment was terminated on 6/30/23.	Waco, Cafeteria	Complete	23-0231	8/23/23
Internal Hotline: Received an allegation that a supervisor is creating a hostile work environment for employees under his management. Results: The complaint was forwarded to HR on 6/30/23. They found no evidence of a hostile work environment, but provided the manager and employees guidance on how to resolve conflicts.	Student Recruiting	Complete	23-0241	8/23/23
Internal Hotline: Received an allegation that employee(s) with administrator rights were accessing other employees emails and chats inappropriately, and without a legitimate business need. Results: Did not find evidence that system administrators abused their authority. Complaint did not have merit.	OIT	Complete	23-0261	8/28/23
Internal Hotline: Received an allegation that an employee worked at a personal business when he was being paid to work for the College. Results: HR concluded no conflict of interest existed. We were unable to identify theft of time, but obtained reliable evidence that the employee met his College obligations in an exemplary manner.	Government Relations	Complete	23-0251	9/11/23

Glossary	
HR	Human Resources
IA	Internal Audit
IT	Information Technology
LVN	Licensed Vocational Nursing
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  
Status of Fiscal Year 2024 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
<b>INTERNAL AUDITS</b>						
Accounting Controls Audit	Foundation/Finance	Complete	24-001A	9/6/23	9/9/22	Risk Based
TAC 202 Follow-up Audit	OIT	In Progress	24-009A	10/31/23	7/31/23	Required Bi-annually
Construction Audits	Construction	In Progress			9/1/23	Risk Based
Payment Card Industry (PCI) Audit	OIT	In Progress			5/14/18	Risk Based
Internal/External Quality Assessment Review	Internal Audit	In Progress			7/15/21	Required every 3 years
Pubic Funds Investment Act Compliance Audit	Finance	In Progress			9/24/21	Required every 2 years
Safety & Security Audit	Safety	In Progress			4/12/21	Risk Based
Grant Audit	Office of Sponsored Programs	In Progress			-	Risk Based
Internal Network Penetration Test	West Texas Campuses				3/26/21	Risk Based
Internal Network Penetration Test	Marshall Campus				12/14/20	Risk Based
CRIMES System TAC 202 Audit	Police/OIT				-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office				5/18/23	Required Annually
Procurement Cards Audit	Procurement				-	Risk Based
Fleet Management Audit	Fleet				5/11/11	Risk Based
Student Grievance Process Audit	Student Services				-	Risk Based

**EXTERNAL AUDITS**

FMLA Audit performed by the Department of Labor	HR	In Progress		
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**OTHER INTERNAL PROJECTS**

Internal Hotline: Received an anonymous concern of potential illegal drug use in a dorm. Results: The report will be forwarded to campus personnel and the police for review and resolution.				
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**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	Expect. Complete Date
<p><b>Payroll and Benefits Proportionality Audit (23-019A)</b></p>	<p>1. Select payroll deductions for some employees are not being calculated properly by Workday. Additionally, Workday is not correctly handling TRS benefits for new members past their 90th day of employment.</p>	<p>For 20 of the 50 employees we tested who paid for Optional Term life insurance, Short Term Disability, and/or Long-Term Disability benefits, we identified differences in the amounts actually deducted from their pay to the amounts we calculated that should have been charged. Most of the differences were less than \$1; we also identified 5 employees paying for Dependent Term Life insurance who were paying the fiscal year 2022 rate of \$1.38 per month instead of the fiscal year 2023 rate of \$1.45 per month; The TRS 90 payment to the TRS agency was not stopping after the 90th day, resulting in a double payment to them.</p>	<p>1.1 We have corrected the deductions and fixed the error. Payroll has implemented an additional verification procedure to ensure future rates are applied correctly; 1.2 We have engaged our Workday vendor to assist with the correction. The calculation will be correct by October 2023, and Payroll will continue to audit all new hires for correct calculation until the correction is tested and verified.</p>	<p>Angela Sill</p>	<p>1.1 Immediately, 1.2 1/31/24</p>
<p>2.</p>	<p>Workday is including non-benefits eligible pay items in the proportionality calculation.</p>	<p>Some non-benefit eligible pay items, such as cell phone allowance, car allowances, and business expenses, were being used in the proportionality calculation. This affected the TRS/ORP and ERS Life insurance benefits.</p>	<p>2.1 The Accounting Office will work with Workday consultants to find the best solution for this. In the meantime, the Accounting Office will continue to review and spot check the proportionality in the monthly payroll review.</p>	<p>Anju Motwani</p>	<p>9/30/23</p>

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr. Mgr	Expect. Complete Date
<b>Cost Recover Audit - Fort Bend Construction</b>	1. \$55,977 was identified in overpayments to the general contractor. The general contractor agreed with the amount.		1.1 The amount has been requested for reimbursement.	Jay Wesson	10/31/23
<b>Facilities Maintenance Audit Harlingen Campus (23-021A)</b>	No material exceptions identified.				
<b>Facilities Maintenance Audit Waco Campus (23-022A)</b>	No material exceptions identified.				
<b>Follow-up audit results on the FY 2022 Texas Cybersecurity Framework (TCF) Assessment</b>	Verified 6 of 24 controls have been enhanced, with work continuing on the other 18.				
<b>Audit of Accounting Controls – Foundation (24-001A)</b>	No material exceptions identified.				

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr. Mgr	Expect. Complete Date
TAC 202 Compliance – Quarterly Update (24-009A)	1.	1 more control was implemented. There are 9 controls still outstanding, but they are not ready to be tested.			
FY 2022 Single Audit Evaluation Management Letter performed by the THECB	1.	No material exceptions identified.			
A Compliance Monitoring Desk Review of the Texas Educational Opportunity Grant performed by the THECB	1.	No material exceptions identified.			



Texas State Technical College  
Internal Audit  
Follow Up Schedule & Status

Completion Summary			
	6/30/23	9/30/23	Audits cleared from (Added to) Schedule
Audits from FY 2020	1	0	1
Audits from FY 2021	1	1	0
Audits from FY 2022	1	1	0
Audits from FY 2023	6	7	(1)
<b>Net Total</b>	<b>9</b>	<b>9</b>	<b>0</b>

**Highlights:**

Airport Operations Audit: All corrective action is complete.
Procurement Card Investigation: 2 of 3 CAPs verified as complete.
Sick Leave Administration Audit: All corrective action is complete.
Personal Property Verification Audit: 1 of 4 CAPs verified as complete.
ITGC Controls Audit: 1 of 4 CAPs verified as complete.
Instructor Education Investigation: All corrective action is complete.
Conflict of Interest Investigation: All corrective action is complete.

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), Semien, 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>Substantially Complete:</b> At 9/19/23, meetings were scheduled to review, update, and document the process (and related controls) for TSTC to transition back into holding/processing student club funds. The goal is to leverage reviews/approvals already existing in WD payment processes to ensure confidence that approvals/reviews take place and are documented for each transaction. Finance will also create an internal control memo that covers the life cycle of club funds. They still need to lay out a plan to address any abandoned balances.</p>		<p>9/30/23</p>

Report Name & No., Resp. Sr Mgr Audit of Online Learning (22-002A), Cano-Monreal	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
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.	<b>Partially Complete:</b> As of 9/27/23, the SOS was updated in the new SOS template but will need to be re-submitted for approval from the EMC. A copy of the draft SOS was obtained and it states "Online instructors who have not previously developed or taught online are highly encouraged to complete the "Basics of Online Teaching" course. These courses are targeted to the needs of new online instructors. Additionally, faculty who teach online and/or hybrid courses are encouraged to take advantage of training opportunities on technical and pedagogical strategies related to the development and delivery of online content." In addition, the department has provided monthly LEAD training; in FY 2023, 22 online learning related trainings have been conducted with 292 total participants.	SOS E.S. 2.20 currently has edits and is going through the a new SOS template process for policy revisions.	12/31/23

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.	A SOC and SIEM solution is still being discussed and researched. There are prerequisites to this topic, including a central logging capability and possibly a central monitoring tool. The timing of this item will change based on this. We still expect to implement phase one of this solution in FY2024	8/31/24
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.	<b>Ongoing:</b> Per Jessica Chavira, this is still in process due to how the changes affect HCM and other Financial task within Workday. Goal is to have recommendations to leadership by December.	This testing will be moved into our Disaster Recovery plan and Testing, which is under the IT General controls section of this document.	5/15/24

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
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. 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. 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.	<b>Ongoing</b>		Begin in Fall 2023
			<b>Ongoing</b>		9/30/23
			<b>Pending Review</b>		8/31/23

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
<b>Audit of IT General Controls (23-018A), McKee</b>	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.	<b>Ongoing</b>		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.	<b>Ongoing</b>	Currently reviewing DR Plan and Recovery Procedures. The testing dates could change depending on how long it take to update the documentation.	1/31/24
		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.	<b>Ongoing</b>	Still on schedule to complete by 12/31/2023.	12/31/23

<b>Payroll and Benefits Proportionality Audit (23-019A), Sill, Motwani</b>	1. Select payroll deductions for some employees are not being calculated properly by Workday. Additionally, Workday is not correctly handling TRS benefits for new members past their 90th day of employment.	1.1 We have corrected the deductions and fixed the error. Payroll has implemented an additional verification procedure to ensure future rates are applied correctly.	<b>Pending Review</b>		Immediately
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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
		<p>1.2 We have engaged our Workday vendor to assist with the correction. The calculation will be correct by October 2023, and Payroll will continue to audit all new hires for correct calculation until the correction is tested and verified.</p> <p>2.1 The Accounting Office will work with Workday consultants to find the best solution for this. In the meantime, the Accounting Office will continue to review and spot check the proportionality in the monthly payroll review.</p>	<b>Ongoing</b>		1/31/24
	2. Workday is including non-benefits eligible pay items in the proportionality calculation.		<b>Pending Review</b>		9/30/23

<b>Unauthorized Access to Email, Chat &amp; Calendar Contents (23-0261), Bundy</b>	<p>1. To improve the system of controls related to audit and investigation queries within the Google Suite and Google Vault, we recommend a defined procedure be established to specifically document and authorize its use.</p> <p>2. We recommend consideration be given to reducing administrator rights to the Google Suite and Google Vault.</p>	<p>1.1 Implement a new process that requires a Help Desk ticket be entered by a system administrator and approved by IT management prior to accessing the Google Vault. The ticket will not include sensitive data. If necessary, those details can be verbally communicated to management. The Help Desk ticket will provide an audit trail for those types of requests.</p> <p>2.1 Reduce the number of system administrators to Google Vault to no more than two people to meet redundancy needs.</p>	<b>Ongoing</b>		10/31/23
			<b>Ongoing</b>		10/31/23



# **TEXAS STATE TECHNICAL COLLEGE**

## **Internal Audit Annual Report Fiscal Year 2023**

**Prepared by  
Jason D. Mallory, Chief Auditor**



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## **I. Compliance with TGC, Section §2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the TSTC Website**

TGC, Section §2102.015 requires the College to post certain information on its website. Specifically, the College must post the current year audit plan within 30 days of approval by the Board of Regents, and the following information to its website:

- The annual audit report for the previous fiscal year.
- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report.
- A summary of the action taken by the College to address concerns raised by the audit plan or annual report.

To comply with the requirements, TSTC Internal Audit will submit its Internal Audit Annual Report to the College's website coordinators to be posted on the Internal Audit section of the College's website no later than 30 days after the TSTC Board of Regents approves the current year audit plan at its August meeting. This Annual Report includes the approved fiscal year 2024 audit plan. Furthermore, all Internal Audit reports are posted in the Board of Regents section of the TSTC website under the meeting agendas section. These are posted within 30 days after each meeting of the Board of Regents. These reports include detailed summaries of the weaknesses, deficiencies, wrongdoings, or other concerns found during each audit, if any, as well as summaries of the actions taken by the College to address those concerns. Information is available as far back as August 2015.

## II. Internal Audit Plan for FY 2023

The Board of Regents approved the original internal audit plan for FY 2023 on August 18, 2022, with Minute Order #IA 01-22(c). There were two deviations from the original internal audit plan that was approved by Minute Order #IA 01-23(c) on August 10, 2023. Specifically, audits of Remote Work Processes and Accounts Payable were removed due to audit resources being redirected to a comprehensive fixed asset audit (Report #23-003A).

Texas Government Code §2102.005(b) requires a state agency to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts. To comply with this provision, an internal audit of contract compliance is conducted annually. In FY 2023, an audit related to a compliance audit of a construction contract currently in progress on the Waco campus was performed. This is listed below as Report #23-028A. It was completed on May 18, 2023. There were no material exceptions identified. Furthermore cost recovery audits were outsourced under delegation #719-2023-001 for 3 construction projects. One was completed on August 24, 2023, which resulted in a recovery for the College due to an overpayment of \$55,977. The other two audits were still in progress at August 31, 2023.

An audit of benefits proportionality was conducted in FY 2022 to address the benefits proportionality audit requirement prescribed in Rider 8, page III-50, of the General Appropriations Act of the 87th Legislature. Dated December 9, 2021, Report # 22-008A includes one finding in which \$67,984.46 in disallowed benefits were paid from appropriated funds. That amount was refunded to the Comptroller’s Office on November 8, 2021. In FY 2023, another limited scope audit of benefits proportionality was performed due to a change in relied upon processes. Process were identified that needed minor improvements, but no overpayment by appropriated funds was found. That report is represented below as Report #23-019A. It was completed on August 14, 2023.

### Fiscal Year 2023 Internal Audit Plan

Project Description	Division/Campus	Report Number	Report Date	Status
Internal Network Penetration Test	OIT/Harlingen Campus	23-004A	9/30/2022	Complete
American Rescue Plan Act – Higher Education Emergency Relief Fund III	Office of Sponsored Programs, Student Services	23-007A	12/9/2022	Complete
Internal Network Penetration Test	OIT/East Williamson County Campus	23-009A	12/9/2022	Complete
Internal Network Penetration Test	OIT/Waco Campus	23-011A	12/9/2022	Complete

T-Drive Audit	OIT/Several Departments	23-012A	3/17/2023	Complete
Sick Leave Administration	HR	23-005A	4/3/2023	Complete
TEC 51.9337 (Contracting) Audit	Contract Office	23-020A	5/18/2023	Complete
Personal Property Verification Audit	Finance/College-wide	23-003A	10/3/2022 12/16/22, 3/23/23, 6/16/23	Complete
Audit of General IT Controls	OIT	23-018A	6/21/2023	Complete
TAC 202 Follow-up Audit	OIT	23-002A	11/10/2022, 1/13/2023, 3/31/23, 7/31/23	Complete
Payroll and Benefits Proportionality	Payroll/Finance	23-019A	8/14/2023	Complete
Construction Audit of FTB projects completed in early 2022	Construction	23-008A	8/24/2023	Complete <sup>Note 1</sup>
Audit within the Harlingen Physical Plant	Physical Plant	23-021A	9/7/2023	Complete <sup>Note 1</sup>
Audit within the Waco Physical Plant	Physical Plant	23-022A	9/7/2023	Complete <sup>Note 1</sup>
Construction Audit of JBC Remodel	Construction	23-008A		In Progress

Note 1: This report will be forward to agencies in November 2023 after it is presented to Board of Regents

Three FY 2022 audits were also completed in FY 2023. Those an Audit of Foundation Controls (Report #22-037A), a follow-up of corrective actions for an External Penetration Test (Report #22-001A), and a Bookstore Audit (Report #22-034A).

Reports for all completed audits listed above are posted in the Board of Regents section of the TSTC website under the meeting agendas section at <https://www.tstc.edu/about/board-of-regents>. Each report contains detailed summaries of the weaknesses, deficiencies, wrongdoings, or other concerns found during each audit, if any, as well as summaries of the actions taken by the College to address those concerns. Reports with Note 1 will be posted after they are presented to the Board of Regents in November 2023.

### III. List of Consulting Engagements and Non-audit Services Completed in FY 2023

The following schedule summarizes projects, other than planned audits, that were completed or nearing completion.

<b>Report #</b>	<b>Date</b>	<b>Project Description</b>	<b>Division /Campus</b>	<b>Summary of Observations and Recommendations</b>	<b>Status &amp; Summary of CAPs</b>
23-006I	9/16/2022	Forwarded an HR complaint about work/life balance.	Enrollment	Appropriate work/life balance was being maintained, and pay was appropriate.	
23-010I	3/08/2023	IA reviewed a complaint of student behavior not being corrected.	Student Discipline	Determined the student created repeated distractions for faculty and staff until he was expelled.	\$1,250 in financial aid was reclassified to a different type; a follow-up with reporters are made when student discipline reports are made; CARE team meetings are better documented, and HR representative has been included; all reported safety concerns are documented and acted on; considering behavioral patterns before approving discretionary financial aid and appeals. All CAPs were implemented.
23-015I	5/19/2023	Investigated allegation of misuse of College equipment.	Instruction	Investigated an allegation that an employee used equipment for personal reasons.	Found merit in the allegation. Employee was terminated.

23-013I	5/26/2023	Investigated concern of instructors taking classes.	Instruction	Found nothing inappropriate.	Recommended release time processes be improved. CAPs are pending verification.
23-017I	5/31/2023	Investigated student complaint that instruction was ineffective.	Instruction	Reviewed student grievance process. Process worked as intended. Grievances were resolved.	
23-023I	8/23/2023	Forwarded a concern of an employee being under the influence at work to HR.	Auxiliary Services	Employee was terminated.	
23-024I	8/23/2023	Forwarded a concern of a hostile environment to HR.	Student Recruiting	No hostile work environment existed.	
23-026I	8/28/2023	Investigated an allegation of inappropriately accessing emails and chats.	OIT	Allegation had no merit.	
23-025I	In progress	Investigating an allegation of theft of time.	Government Relations	Investigation is in progress.	

#### IV. External Audit Services Procured in FY 2023

One delegated request (#719-2023-001 ) was approved in FY 2023 for a series of cost recovery audits for construction projects. The following schedule summarizes that project.

<b>Auditor</b>	<b>Date of Report</b>	<b>Project Description</b>
RL Townsend	8/24/23	Cost recovery audit – Recovered \$55,977 in overbillings for a construction project completed in 2022 at the Fort Bend County campus.
RL Townsend	In progress	Cost recovery audit – being performed concurrently while a remodel project on the Waco campus is being performed.
RL Townsend	In progress	Cost recovery audit – being performed concurrently while a campus annex is being built in Waco.

## V. Internal Audit Plan for FY 2024

The plan was developed through a collaborative effort between Internal Audit, Executive Management, Senior Management, and the Board of Regents. Multiple activities and functions throughout the College were assessed for financial, fraud, regulatory/compliance, and presence sensitive information. TAC 202 and technology risks were also considered in the planning. Management and the Board were also requested to provide a list of specific audits they wanted performed. All regulatory-required audits were included in the Audit Plan. Other than the areas actually selected for audit, consideration was given to risks associated with purchasing and accounts payable, workforce development, dual enrollment, and various physical plant and HR activities, and financial aid.

As is done every year, benefits proportionality was considered for an audit. It was not selected because it was audited in both FY 2022 and FY 2023, as well as numerous other times within the last 10 years. The TEC §51.9337 (Contracting) Audit is intended to satisfy the annual contracting audit requirement. Our planning process yielded the following audit plan for FY 2024:

<b>Audit Name</b>	<b>Budgeted Hours</b>
TEC §51.9337 (Contracting) Audit – satisfies annual audit requirement of contracts	200
Internal/External Audit Quality Assessment Review	300
Grant Audit	300
Public Funds Investment Act Compliance Audit	200
Procurement Card Audit	300
Internal Penetration Test – Marshall campus	200
Internal Penetration Test – West Texas campuses	200
PCI Compliance Audit	500
TAC 202 Audit of CRIMES system	300
Student Grievance Process Audit	200
Fleet Management Audit	300
Safety and Security Audit	1,000
Accounting Controls (Foundation) Audit	100
Quarterly Follow-up of TAC 202 Controls	200
Construction Project Audits (3-5 audits)	Will be outsourced

The FY 2024 Audit Plan was approved by the Board of Regents on August 10, 2023, by Minute Order #IA 02-23(c).



## **VI. Reporting Suspected Fraud and Abuse**

TSTC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09, page IX-38 of the 87<sup>th</sup> Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- The College's website describes how to report suspected fraud, waste and abuse to the State Auditor's Office. A link to the State Auditor's Office fraud hotline is included, as is the hotline telephone number.
- A confidential *internal* fraud hotline is also available for people to report suspected fraud, waste and abuse. This hotline is administered by Internal Audit.
- Statewide Operating Standards GA 1.15, GA 1.16, and GA 1.17 have been adopted that detail responsibilities to prevent/detect fraud, how to report suspected fraud, and describe the College's other expectations in regard to fraud, waste, and abuse. Those Standards are available through the College's website.
- In compliance with the reporting requirements of fraud, waste, and abuse, the College reports all instances of confirmed fraud, waste, and abuse to the SAO.

## **VIII. External Quality Assurance Review**

An External Quality Assurance Review of the Internal Audit Department was completed on May 17, 2021, by Carole M. Fox, CPA. Ms. Fox is the Chief Audit Executive for the Texas State University System. She is entirely independent from all auditors employed by the TSTC Internal Audit Department.

The results of the review indicated that TSTC Internal Audit Department generally conforms to standards. The Department was also commended for its well-crafted audit charter, and the level of accessibility to the Board of Regents and the Chancellor. A copy of the original report is attached.

May 17, 2021

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

Dear Mr. Mallory,

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

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

### **Opinion Rating Definitions**

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

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

### **Scope and Work Performed**

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

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

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

### **Results and Opinion**

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

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

### **Key Observations**

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

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

Sincerely,



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

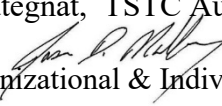


To: Regent Lizzy de la Garza Putegnat, TSTC Audit Committee Chairwoman  
From: Jason D. Mallory, VC/CAE  
Subject: Information on Internal Audit's Program of Quality Control  
Date: November 9, 2023

The Institute of Internal Auditors' *Professional Practices Framework* requires I provide you information annually on our quality control program for internal auditing. We have established a program that ensures independence, competency, and compliance to auditing standards. That program includes the following:

- Required annual continuing education for each staff member: In FY 2023, all staff obtained at least 40 hours of professionally relevant continuing education.
- Professional certification(s) and Education: Departmental staff hold undergraduate degrees in Accounting, Management, and Cybersecurity. Two staff also hold MBAs. Professionally recognized licenses and certifications held include 1 CPA, 2 Certified Internal Auditors, and a certification in control self-assessment. Additionally, recognitions as Certified Information System Auditors are also being pursued.
- Internal and external quality assessment reviews: An external review was performed in FY 2021 that resulted in "Generally Conforms to Standards" opinions. The external review was performed by Carole Fox, CPA. She is the Chief Audit Executive for the Texas State University System. An external assessment is planned for FY 2024.
- Reliable and sufficient documentation for all audit reports and opinions: I supervised all FY 2023 audits, and conducted working paper reviews before any reports or opinions were issued.
- Policy and procedures manual: All auditors are in possession of the manual, and acknowledged their responsibilities in writing prior to the fiscal year. That manual was reviewed and updated throughout the year as procedural changes were enhanced, with staff being promptly informed. We have a designated staff member that periodically reviews all internal policies governing our work practices.
- Independence statements. In FY 2023, all auditors acknowledged their independence in writing. Formal procedures are established to address any potential conflicts of interest that may arise.
- Membership in professional organizations. The Department is a member of the *Institute of Internal Auditors (IIA)*, the *Association of College and University Auditors (ACUA)*, and the *Texas Association of College and University Auditors (TACUA)*.
- Client surveys. In FY 2023, client opinions of our work were sought after each audit. All responses were generally good to exceptional.



To: Regent Lizzy de la Garza Putegnat, TSTC Audit Committee Chairwoman  
From: Jason D. Mallory, VC/CAE   
Subject: Annual Confirmation of Organizational & Individual Independence  
Date: November 9, 2023

The Institute of Internal Auditors' *Professional Practices Framework* requires that I confirm annually to you that the Internal Audit Department and its staff are organizationally independent within TSTC to assure you that audit reports and other opinions I offer you are free of interference from management.

I attest that the Internal Audit Department has a reporting structure which promotes organizational independence. The current structure requiring me to report functionally to the Chair of the Audit Committee, but administratively to the Chancellor, achieves the requirements of the *Professional Practices Framework*. I do not feel any barriers exist which prevent my direct communication and interaction with you. Also, there has not been any instance in which management has attempted to limit the scope of the internal audit role, interfere with work necessary to offer opinions, or unduly influence communications that you receive.

And while not specifically required to be confirmed, I also attest, to the best of my knowledge and belief, that my staff and I are free from any personal impairments which might present a conflict of interest. Everyone is expected to maintain independence of mental attitude in the conduct of all assigned work, to be objective, fair, and impartial, and to conduct themselves appropriately at all times. To limit and identify personal impairments, Internal Audit Department employees cannot have any operational responsibilities outside of the Internal Audit Department. They must also annually acknowledge their responsibilities in writing, and report any situation they feel might jeopardize their objectivity.



**Internal Audit Department**

**Audit Report**

**Payroll and Benefits Proportionality Audit (23-019A)**

**August 14, 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 payroll and benefits proportionality compliance as of May 31, 2023. In April 2022, the College implemented the Finance and Human Resources modules of the Workday ERP system. We elected to perform a payroll and benefits proportionality audit to ensure the payroll expenses are correct, and benefits proportionality compliance is still being achieved.

The objectives for this audit were to ensure wages paid are correct, authorized, and paid to legitimate employees. We also verified payroll deductions are calculated properly, direct deposits are made to authorized accounts, and funds used to pay wages and related expenses are appropriate. Finally, we verified benefits proportionality compliance is still being achieved.

To accomplish our objectives, we recalculated gross wages and payroll deductions, traced wages, employee information, and bank accounts to authorization and validation documentation. We also recalculated and traced Teacher Retirement System (TRS) contributions for new employees to the funding source to ensure they were funded appropriately. We did this due to a concern management brought to our attention prior to the audit. Finally, we recalculated the proportionality of benefits paid by the respective funding source to ensure proportionality rules were met. As part of this, we verified the APS011 report for fiscal year 2022 was accurate and submitted timely. Payroll and benefits paid between April 2022 and May 2023 were within the scope of this audit.

We determined that gross wages are correctly calculated, paid wages are authorized, employees are legitimate, and direct deposits are being made to authorized accounts. We also determine that proportionality calculations are generally correct, and in compliance to related rules.

As disclosed by management prior to the audit, we verified an issue they identified in which Workday is not correctly handling TRS benefits for new members past their 90<sup>th</sup> day of employment. This has resulted in an overpayment of new TRS contributions of \$42,279 which effectively resulted in a payment due to the State Comptroller and an offsetting credit due to the College by the TRS agency in the same amount. And while immaterial in amount, we also identified some employee deductions were not being calculated properly by Workday. We cited this because we could not determine the reason for the differences. The details of these issues are discussed in Finding #1.

In regards to proportionality, we identified proportionality errors when employees have pay items that should not be included in benefit calculations. Again, the amounts are not individually or collectively material, but we cited them because Workday is including these amounts in its proportionality calculation. The result is proportionality is not met when an employee is paid from more than one fund. Overall, appropriated funds are actually paying less than is allowed in these situations. These details are discussed in Finding #2.



## **Introduction**

The College implemented the Finance and Human Resources modules of Workday in April 2022, with payroll being processed through it. The Payroll Department runs both biweekly and monthly payroll cycles that cover 1,815 active employees. They are responsible for processing, reporting and analyses of payroll related transactions including TRS and ORP contributions, quarterly payroll tax filings, year-end W2 processing, and assisting with benefits proportionality research and compliance. The department is under the direction of the Senior Executive Director of Shared Services, and the Shared Services Manager within the HR Division.

The State of Texas requires benefits paid by General Revenue (GR) be proportional to the method of finance that paid the related salaries and wages. It also requires a report be filed with the State Comptroller and the State Auditor's Office each November. The College achieves benefits proportionality on a transactional level through automated payroll and accounting processes. Benefits are allocated to the various funds by an automated process based upon which funds paid the salaries. The types of appropriated funds that are used are monitored and adjusted by the Accounting office on a monthly basis, with the relevant reporting being done on an annual basis. The Payroll Department, Finance, and OIT programmers all play critical roles in ensuring benefits proportionality compliance.

Wage and benefit expenses for the period we tested of April 2022 through May 2023 were \$125,453,400 and \$48,945,451, respectively. For fiscal year 2022, benefits paid from GR were approximately \$25,389,873, with \$4,087,637 in benefits paid from tuition revenue.

## **Objectives**

The objectives of the audit were to verify:

- wages are correct, authorized, and paid to legitimate employees;
- payroll deductions and contributions are calculated properly;
- direct deposits are made to only authorized bank accounts;
- funding sources used to pay payroll and related expenses are appropriate; and
- proportionality is still being achieved.

## **Scope & Methodology**

The scope of the audit included all payroll and benefits transactions that occurred between April 2022 and May 2023. To accomplish our objectives, we recalculated gross wages and payroll deductions, traced wages, employee information, and bank accounts to authorization and validation documentation. We recalculated and traced Teacher Retirement System (TRS) contributions for new employees to the funding source to ensure they were funded in the appropriately. Finally, we recalculated the proportionality of benefits paid by the respective funding source to ensure proportionality rules were met. We utilized Rider 8 of the General Appropriations Act to ensure proportionality is achieved. That methodology included testing compliance to the applicable rules prescribed by Section 6.08 of the GAA, verifying the accuracy of the APS 011 report.

## General Observations

Finance and HR continues to work diligently to achieve a smooth transition from Colleague to Workday, and to ensure payroll is accurate and timely, and benefits proportionality is achieved. This audit was requested by management to validate these efforts. They continue to closely monitor all aspects of payroll to identify any issues with how Workday processes it. The issue discussed in Finding #1 related to TRS was initially identified by the Controller during her review of payroll processing. They are proactive in identifying processing issues within Workday, and in implementing corrective measures when one is identified. Employees in both divisions met with us in the implementation phase of Workday to seek input and suggestions regarding payroll and benefits related risks.

Employees were receptive to our work and observations, and provided necessary information and explanations when requested. Accounting functions are led by the Vice President & Controller. Payroll functions are led by the Senior Executive Director of Shared Services.

## Summary of Findings

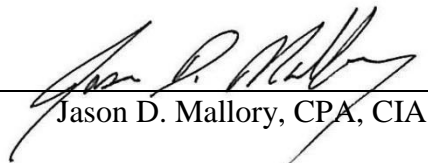
1. Select payroll deductions for some employees are not being calculated properly by Workday. Additionally, Workday is not correctly handling TRS benefits for new members past their 90<sup>th</sup> day of employment.
2. Workday is including non-benefits eligible pay items in the proportionality calculation.

## Opinion

Based on the audit work performed, we determined that payroll transactions are authorized, and generally accurate. Proportionality is being achieved by the College, with exceptions resulting in the College paying an immaterial amount more than it should. We identified certain benefit deductions not being calculated properly by Workday, and were able to validate the issue in which Workday was not properly handling TRS payments after a new employee's 90<sup>th</sup> day of employment. Finally, we identified some non-benefits eligible pay items that are being factored into the proportionality calculations that should be excluded.

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

August 14, 2023  
\_\_\_\_\_  
Date

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**AUDIT FINDING DETAIL**

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Finding #1: Select payroll deductions for some employees are not being calculated properly by Workday. Additionally, Workday is not correctly handling TRS benefits for new members past their 90<sup>th</sup> day of employment.

**Criterion:** We tested a sample of payroll transactions from fiscal year 2023. For each transaction we verified that gross wages and all employee deductions, including taxes and benefits, were properly calculated.

We found the following exceptions related to payroll deductions:

- For 20 of the 50 employees we tested who paid for Optional Term life insurance, Short Term Disability, and/or Long-Term Disability benefits, we identified differences in the amounts actually deducted from their pay to the amounts we calculated that should have been charged. Most of the differences were less than \$1. The difference resulted in some employees paying too much, while others did not pay enough. The net difference we identified resulted in an underpayment by the employees for these benefits of just under \$20. We recognize the amounts are not significant, but the cause for the difference should be resolved.
- We also identified 5 employees paying for Dependent Term Life insurance who were paying the fiscal year 2022 rate of \$1.38 per month instead of the fiscal year 2023 rate of \$1.45 per month.

In regards to Workday not handling TRS benefits correctly for new members past their 90<sup>th</sup> day of employment, this concern was first identified by the Controller and disclosed at the beginning of this audit. TRS requires a 90-day new member period in which the College employer pays TRS contributions directly to the TRS agency. The College is then reimbursed for the same amount by the Comptroller's Office. After 90 days, the State directly pays the TRS agency for the College's TRS contributions. The Controller identified that the payment to the TRS agency was not stopping after the 90<sup>th</sup> day, resulting in a double payment to them, and overpayment to the College by the Comptroller's Office. This has resulted in an error of \$42,279.24 from fiscal year 2023 payments being owed back to the Comptroller's Office. It has also resulted in the same amount owed to the College by the TRS Agency. That will be recovered through a credit to future TRS payments. Accounting staff have implemented a manual review and correction of all similar transaction that has limited the error to what has already been identified. Furthermore, they are working on an automated solution.

**Consequences:** Potential errors in payroll, overpayment of TRS contributions.

**Possible Solutions:** We recommend identifying the cause for the differences in the specific benefits we previously noted, and correcting Workday to charge the correct amounts. We

recommend accounting staff continue their efforts in manually reviewing/correcting TRS-90 transactions until an automated solution is created. We also recommend the overpayment be remitted to the Comptroller's Office, with the credit from the TRS agency utilized as quickly as possible.

### **Management Response**

Management of Human Resources agrees with the observations made in the audit. Select payroll deductions for some employees were not being calculated properly by Workday because of an error that prevented the proper FY 2023 rates to be used. We have corrected the deductions and fixed the error. Payroll has implemented an additional verification procedure to ensure future rates are applied correctly.

Management of Human Resources also agrees with the additional observation made in the audit regarding Workday not correctly handling TRS benefits for new members past their 90<sup>th</sup> day of employment. We have engaged our Workday vendor to assist with the correction. The calculation will be correct by October 2023, and Payroll will continue to audit all new hires for correct calculation until the correction is tested and verified. Angela Sill, Sr. Executive Director of Shared Services will be responsible for implementation of these corrective actions.

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**AUDIT FINDING DETAIL**

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**Finding #2:** Workday is including non-benefits eligible pay items in the proportionality calculation.

**Criterion:** We selected a sample of 30 employees from across the College to verify their salaries and associated benefits were paid in the same proportion of each funding source. To accomplish this, we tested 12 months of each employee’s payroll transactions from after the implementation of Workday. Specifically, we tested transactions that occurred between April 2022 and March 2023. For each month tested, we verified that OASI, MEDI, ERS Life Insurance, TRS/ORP, and group health benefits were proportional to the related salaries that were paid.

During our testing we noted that some non-benefit eligible pay items, such as cell phone allowance, car allowances, and business expenses, were being used in the proportionally calculation. This affected the TRS/ORP and ERS Life insurance benefits. The non-benefits eligible amounts were not included in the total benefit calculation, but were included in the proportionality calculation. We found that Fund 1 (E&G) paid less than the allowable amounts for the affected benefits. Specifically, TRS, ORP, and ERS 1% were underpaid by \$2,773.47, \$904.15, and \$463.17, respectively.

We also noted other proportionality differences when an extra pay item, such extra pay stipend or bonuses, were included in an employee’s pay. These differences mostly impacted the ERS 1% benefit. These amounts were not material. Fund 1 over paid OASI, MEDI, TRS and group health insurance by \$3.60, \$0.85, \$31.59, and \$63.93, respectively. It also underpaid ERS 1% by \$17.79.

**Consequences:** Noncompliance of proportionality rules, resulting in the College overpaying for certain benefits that could be paid by appropriated funds.

**Possible Solutions:** We recommend reviewing the calculations for the extra pay items noted to determine the cause for proportionality not being calculated properly when items are present.

**Management Response**

Management of the Finance Division agrees with the observations made in the audit. Workday including non-benefits eligible pay items in the proportionality calculation was the result of TSTC not fully understanding the capability or workaround for this in Workday. Workday was implemented in April 2022, which replaced a custom-built program called “Pay Texas Post” that calculated proportionality for TSTC per State requirements. Although Pay Texas Post worked well for TSTC, it was still a manual process which involved IT individuals editing the program when changes were needed. In Workday, proportionality by fund is accurately being calculated for 99% of the transactions, with the exception of the finding noted here. By September 2023, the Accounting Office will work with Workday consultants to find the best solution for this. In the meantime, the Accounting Office will continue to review and spot check the proportionality

in the monthly payroll review. Anju Motwani, VP & Controller, will be responsible for implementation of this corrective action plan.

# Final Construction Audit Report

**Texas State Technical College**

**Construction Manager at Risk  
Bartlett Cocke General Contractors, LLC.**

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**The Fort Bend Campus Welding & Diesel Technology expansion to the  
Industrial Technology Building and the Lineworker Technology  
additional Building Expansion**



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**Construction Audit Report Submitted By:**

**R. L. Townsend & Associates, LLC  
PO # 10003313**

**August 24, 2023**

*The contents of this report are based on our understanding of documents and other information provided to us as of the date of this report. If anyone has any questions regarding the contents of this report, please contact our office for clarification.  
A revised report will be issued with a revised date if any material representation needs to be corrected.*

## EXECUTIVE SUMMARY

### ***Audit Background***

As a part of an overall program of controlling construction costs, Technical State Technical College (TSTC) engaged R. L. Townsend & Associates to perform a review of the contract and billing records associated with The Fort Bend Campus Welding & Diesel Technology expansion to the Industrial Technology Building and the Lineworker Technology additional Building Expansion project.

Total construction was comprised of two projects located on the Fort Bend Campus. The original project consisted of an expansion to the Industrial Technology and Lineman Technology buildings and a surface parking addition (Fort Bend Additions). The second scope of work was The Faraday Center - Multipurpose Training Facility (Faraday) with an adjacent parking lot.

Bartlett Cocke General Contractors (BC) served as the Construction Manager at Risk for the project. The contract was Cost plus Fee with a Guaranteed Maximum Price and incorporated eight (8) Amendments. Amendments 1-6 addressed the Fort Bend Additions project and Amendments 7-8 addressed the Faraday project. The projects were tracked on separate Payment Applications.

<b>Fort Bend Additions Final Contract Value</b>	<b>\$ 5,357,091</b>
<b>Faraday Final Contract Value</b>	<b>\$ 2,731,913</b>
<b>Add: Faraday Preconstruction - Outside of the GMP</b>	<b>\$ 40,000</b>
<b>Total Project Construction Budget as of Amendment 8</b>	<b>\$ 8,129,004</b>

The objective of the audit was to ensure the project was billed in accordance with the contract terms.

The procedures used during the audit were in accordance with the Proposal submitted February 13, 2023, and included a review of labor, materials, equipment, subcontracts, and change orders.



**Fort Bend Additions - Summary of Final GMP and Billing as of 7/31/2021**

Document	Pre-Con	General Conditions	Cost of Work	CM Fee 2.95%	Total Construction
<b>Contract: The Fort Bend Campus Welding And Electrical Lineworker Expansion</b>	\$12,500				\$ 12,500
Amendment 1 - Bid Package 1 - Area C Lineman & Area B Welding		\$ 200,584	\$2,161,679	\$ 69,687	\$ 2,431,950
Amendment 2 - Bid Package 2 - Lineman & Welding		\$ 219,388	\$2,457,123	\$ 78,959	\$ 2,755,470
Amendment 2 - Budget Adjustment			\$ 80		\$ 80
<b>GMP</b>	<b>\$12,500</b>	<b>\$ 419,972</b>	<b>\$4,618,882</b>	<b>\$ 148,646</b>	<b>\$ 5,200,000</b>
Amendment 3 - Reduction taken out of Buyout Contingency					\$ (80,000)
Amendment 4 - CDL Parking Lot					\$ 221,000
Amendment 5 - Extend contract by 6 months - Final 8/12/2021					\$ -
Amendment 6 - Americans with Disabilities Act Topping Slab					\$ 16,091
<b>Total Contract Value</b>					<b>\$ 5,357,091</b>
Total billed thru Final Pay Application #12, 7/31/2021					\$ 5,357,091

Preconstruction Services was a lump sum amount of \$12,000.

**Faraday - Summary of Final GMP and Billing as of 8/31/2021**

Document	Pre-Con	General Conditions	Cost of Work	CM Fee 3.50%	Total Construction
<b>Amendment 7 - Multipurpose Training Facility (The Faraday Center) GMP</b>	\$ -	\$ 306,705	\$2,315,769	\$ 82,601	\$ 2,705,075
Amendment 8 - PCI0002 - Old Lineman/Temp Tesla Facility					\$ 63,079
Amendment 8 - Final Deductive Change Order					\$ (36,241)
<b>Total Contract Value</b>					<b>\$ 2,731,913</b>
Total billed thru Final Pay Application #11, 8/31/2021					\$ 2,731,913

Preconstruction Services was a lump sum amount of \$40,000 and not included in the GMP.

**Conclusions**

- As a result of the audit, BC agreed to reduce the final cost of the project \$55,977. The credit is to be provided via check with audit to receive a copy.
- BC self-performed various scopes of work on a lump sum basis. A lump sum subcontract was issued, and subsequent lump sum change orders were executed. In order to better control costs, it is recommended that the Construction Manager's self-performed work be competitively bid and issued as Cost Plus a Fee with a Guaranteed Maximum Price.
- Dumpster service is tax exempt for nonprofit organizations in Texas. Spirit Waste provided dumpster service for the Fort Bend project, and upon review of an invoice sample, it was noted that sales tax was billed. Based on total dumpster cost, it is estimated that \$778 of sales tax was paid. TSTC should consider this exemption for future projects.

## AUDIT DISCUSSION ITEMS

The following chart shows amounts billed which were not in compliance with the terms of the contract.

<b>Note</b>	<b>Project</b>	<b>Description</b>	<b>Amount</b>	<b>CM Fee 2.95%</b>	<b>CM Fee 3.50%</b>	<b>Total Credit</b>	<b>Status</b>
1	Fort Bend Additions	BC Salary Payroll	\$ 20,893	\$ 616		\$ 20,893	Agreed
2	Fort Bend Additions	BC Hourly Payroll	\$ 1,795	\$ 53		\$ 1,795	Agreed
3	Faraday	P&P Bond	\$ 10,363		\$ 363	\$ 10,726	Agreed
4	Faraday	Non Reimbursable GCs	\$ 18,326		\$ 641	\$ 18,967	Agreed
5	Faraday	CM Fee Correction	\$ -		\$ 123	\$ 123	Agreed
6	Faraday	Jomar Electrical - OH&P	\$ 3,355		\$ 117	\$ 3,472	Agreed
<b>Total Agreed to Reimbursement</b>						<b>\$ 55,977</b>	

The detailed notes are discussed on the following pages of the report.

## AUDIT NOTES

### **1. Bartlett Cocke Salary Payroll – Fort Bend**

BC billed General Conditions payroll with a 40% burden rate. Upon review of the labor and burden, Audit estimated a more likely burden of 30% resulting in a billing difference of \$20,893. BC responded that the labor burden was a projected cost based on employee-related indirect costs and upon review of actual costs that percentage was closer to 30% for the period of the project.

It is also noted that salary labor for The Faraday Center was billed at a 30% labor burden.

**Status:** Issue closed. BC agreed to refund \$20,893.

### **2. Bartlett Cocke Hourly Payroll – Fort Bend**

BC billed hourly employees with a 40% burden rate. Audit recommended to adjust the labor burden to 30% for straight time hours and 10% for overtime hours. BC agreed to reduce the labor burden to 30% for straight time and 11.26% for overtime:

	per BC		per Audit	
	ST	OT	ST	OT
Labor	\$ 10,537	\$ 2,581	\$ 10,537	\$ 2,581
Burden %	40.00%	40.00%	30.00%	11.26%
Labor Burden	\$ 4,215	\$ 1,032	\$ 3,161	\$ 291
Total Labor	\$ 14,751	\$ 3,613	\$ 13,697	\$ 2,871
Total Burdened Labor		\$ 18,364		\$ 16,569
<b>Difference</b>				<b>\$ 1,795</b>

The overtime burden estimated by audit of 10% versus the BC proposed burden of 11.26% resulted in an immaterial difference of \$33.

**Status:** Issue closed. BC agreed to refund \$1,795.

**3. Payment & Performanc Bond – Faraday**

BC billed the estimated bond cost of \$28,136 to the project. Based on the bond invoice, the actual cost was \$17,773 resulting in an overbilling of \$10,363. BC also confirmed no further rebate or credit was due from the surety company.

**Status:** Issue closed. BC agreed to refund \$10,363.

**4. Non Reimbursable General Conditions – Faraday**

BC billed items in General Conditions that, per the contract, were included in the CM fee:

Description	Amount
Vehicle Allowance	\$ 8,711
Cell Phone Allowance	\$ 1,320
Computers & Software	\$ 8,295
<b>Total</b>	<b>\$ 18,326</b>

**Status:** Issue closed. BC agreed to refund \$18,326.

**5. CM Fee Correction – Final Deductive Change Order – Faraday**

The final deductive change order for the Faraday project miscalculated CM Fee by \$123.

**Status:** Issue closed. BC agreed to refund \$123.

**6. Jomar Electrical Contractors – OH&P**

The contract allows for OH&P to be billed on change orders at 10%. Jomar Electrical billed an additional 5% Markup on top of the allowed 10% for change orders. This resulted in an overbilling of \$3,355 for the project.

**Status:** Issue closed. BC agreed to refund \$3,355.



**Internal Audit Department**

**Audit Report**

**Facilities Maintenance Audit  
Harlingen Campus (23-021A)**

**September 7, 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 operational audit of the Facilities Maintenance Department (Facilities Maintenance) on the Harlingen campus. The primary objective of this audit was to test the operational effectiveness and efficiency of facilities maintenance activities within Physical Plant, specifically as it relates to building maintenance.

The objectives of this audit included verifying facilities maintenance is being performed in a competent and timely manner, management and access to the work order request system was appropriate, and physical access by Facilities Maintenance employees was appropriate. We also verified tools and equipment used to accomplish these objectives were properly secured. We utilized the work order system to review data, and verified work flow processes were effective and efficient.

We determined that maintenance to facilities is being performed in a timely and responsive manner. A preventive maintenance schedule has been created, and is being followed. Facilities Maintenance is also responsive to ad hoc requests and concerns. Access to the work order system is appropriate within Facilities Maintenance to ensure all work orders are identified and completed. We communicated some observations and recommendations to management in a separate letter for them to consider enhancing the use of that system. They were receptive to our suggestions. Finally, access to buildings by Facilities Maintenance employees was well controlled, as were access to tools and equipment they use to accomplish their responsibilities.

## **Introduction**

Facilities Maintenance is a department with Physical Plant. They are responsible for all facilities maintenance and the related mechanical systems and electrical systems. In May 2022, the department implemented FMX, a maintenance management system that has streamlined maintenance processes by tracking and managing work order requests. The system also incorporated planned maintenance, and has several reporting capabilities, including tracking work requests and planned maintenance. It also can help management easily identify the efficiency of each technician.

During fiscal year 2023, there were a total of 4,105 work orders requested through FMX, with general maintenance making up 21% of the requests. Since the implementation of FMX in May 2022, there have been over 26 thousand work order requests statewide.

Facilities Maintenance is comprised of a supervisor, 5 maintenance workers, a maintenance mechanic, 2 AC/refrigeration mechanics, 2 electricians, 2 plumbers and a painter. All report to a recently hired Facilities Director. During the time the Facilities Director position was vacant, the Senior Executive Director of Facilities in Waco assisted the Harlingen team. All of the activities and roles are under the responsibility of the Vice Chancellor & Chief Campus Services Officer. Through the date of this report, Facilities Maintenance employment costs comprised \$265,743 of the total Physical Plant payroll of \$1,240,328.

## Objectives

The primary purpose of this audit was to test the operational effectiveness and efficiency of facilities maintenance activities.

## Scope & Methodology

The scope of our audit included all work order requests and planned maintenance for fiscal year 2023. To accomplish our objectives, we flowcharted operational processes, and selected several completed and ongoing projects for inspection. We reviewed access to the work order system, buildings, and to tools and equipment.

## General Observations

Facilities Maintenance upgraded their work order system in fiscal year 2022. This upgrade has made the work order process more efficient, reducing the need for paper copies of work orders. It has also allowed oversight of work to be in real-time. Employees are doing a commendable job in performing routine maintenance, and are responsive to ad hoc requests that the campus community makes. During this audit, the management quickly answered our requests, and was eager to demonstrate the new processes that have been implemented.

## Summary of Findings

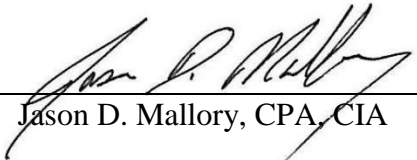
No material exceptions were identified.

## Opinion

Based on the audit work performed, the routine and preventive maintenance on facilities is being performed in a professional and timely manner. The work order system is being administered in a way to ensure facilities maintenance needs are met, and the system is available to the campus community and properly restricted within Facilities Maintenance. Finally, access to tools and building is appropriate.

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

September 7, 2023  
\_\_\_\_\_  
Date





**Internal Audit Department**

**Audit Report**

**Facilities Maintenance Audit  
Waco Campus (23-022A)**

**September 7, 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 operational audit of the Facilities Maintenance Department (Facilities Maintenance) on the Waco campus. The primary objective of this audit was to test the operational effectiveness and efficiency of facilities maintenance activities within Physical Plant, specifically as it relates to building maintenance.

The objectives of this audit included verifying building maintenance is being performed in a competent and timely manner, management and access to the work order request system was appropriate, and physical access by Facilities Maintenance employees was appropriate. We also verified tools and equipment used to accomplish these objectives were properly secured. We utilized the work order system to review data, and verified work flow processes were effective and efficient.

We determined that maintenance to facilities is being performed in a timely and responsive manner. A preventive maintenance schedule has been created, and is being followed. Facilities Maintenance is also responsive to ad hoc requests and concerns. Access to the work order system is appropriate for the campus community to submit requests, and access is appropriate within Facilities Maintenance to ensure all work orders are identified and completed. We communicated some observations and recommendations to management in a separate letter for them to consider enhancing the use of that system. They were receptive to our suggestions. Finally, access to buildings by Facilities Maintenance employees was well controlled, as were access to tools and equipment they use to accomplish their responsibilities.

## **Introduction**

Facilities Maintenance is a department with the Physical Plant. They are responsible for all facilities maintenance and the related mechanical systems and electrical systems. In May 2022, the department implemented FMX, a maintenance management system that has streamlined maintenance processes by tracking and managing work order requests. The system also incorporated planned maintenance, and has several reporting capabilities, including tracking work requests and planned maintenance. It also can help management easily identify the efficiency of each technician.

During fiscal year 2023, there were a total of 4,917 work orders requested through FMX, with plumbing and custodial type of requests making up 15% of the requests. Since the implementation of FMX in May 2022, there have been over 26 thousand work order requests statewide.

Facilities Maintenance is comprised of 3 supervisors and 18 employees. All report to the Senior Executive Director of Facilities in Waco. All of the activities and roles are under the responsibility of the Vice Chancellor & Chief Campus Services Officer. Through the date of this report, Facilities Maintenance employment costs comprised \$396,126 of the total Physical Plant payroll of \$1,339,115.

## Objectives

The primary purpose of this audit was to test the operational effectiveness and efficiency of facilities maintenance activities.

## Scope & Methodology

The scope of our audit included all work order requests and planned maintenance for fiscal year 2023. To accomplish our objectives, we flowcharted operational processes, and selected several completed and ongoing projects for inspection. We reviewed access to the work order system, buildings, and to tools and equipment.

## General Observations

Facilities Maintenance upgraded their work order system in fiscal year 2022. This upgrade has made the work order process more efficient, reducing the need for paper copies of work orders. It has also allowed oversight of work to be in real-time. Employees are doing a commendable job in performing routine maintenance, and are responsive to ad hoc requests that the campus community makes. During this audit, management quickly answered our requests, and were eager to demonstrate the new processes that have been implemented.

## Summary of Findings

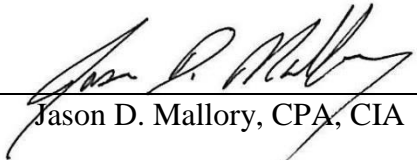
No material exceptions were identified.

## Opinion

Based on the audit work performed, the routine and preventive maintenance on facilities is being performed in a professional and timely manner. The work order system is being administered in a way to ensure facilities maintenance needs are met, and the system is available to the campus community and properly restricted within Facilities Maintenance. Finally, access to tools and building is appropriate.


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

September 7, 2023  
\_\_\_\_\_  
Date



To: Audit Committee  
From: Jason D. Mallory, VC/Chief Auditor   
Subject: Follow-up audit results on the FY 2022 Texas Cybersecurity Framework (TCF) Assessment  
Date: September 22, 2023

In March 2022, the College engaged AT&T Cybersecurity Consulting to perform an independent assessment of 254 IT security related controls to determine their level of implementation and maturity in regards to the Texas Cybersecurity Framework (TCF). Interviews and examinations of documentation and relevant artifacts were the primary sources for their opinion. The TCF aligns each the 254 controls to one of 42 different control objectives and one of 5 different functional areas. Scores were assigned to each individual control, control objective, and functional area, with an overall composite score being determined. Scores ranged from 0 to 5, with 0 indicating a high risk of loss should a cyberattack occur, and 5 being a low risk of loss.

The assessment identified several opportunities to improve controls to reduce the likelihood of a successful cyberattack. The College received an overall composite score of 2.52, which was comparable to the average score for all state agencies and institutions of higher education in Texas. The score was significantly higher than the average score for the College's peer group of 2-year community colleges. The Office of Information Technology (OIT) has a stated objective of raising the score above 3. The consultant indicated a score of 3 would be both cost effective, and allow the College to operate efficiently. An executive summary of the report is available upon request, but is not attached due to the sensitive nature of the information it includes.

OIT management requested Internal Audit to validate their progress in improving controls. The purpose of this memorandum is to communicate any progress we noted that should increase the overall composite score and decrease the likelihood of loss associated with cyberattacks. OIT has indicated that the consultant will re-perform the assessment in January 2024.

### **Results**

We determined that OIT formulated a plan to target the 24 lowest performing controls for implementation or improvement. Six of those 24 were targets in fiscal year 2023 because of their potential to lower associated risks the most. We worked with OIT weekly throughout the year on this project.

We determined the 6 controls they targeted were enhanced. Specifically, a cross-divisional IT Oversight and Governance Committee was chartered and met twice to discuss IT related issues, a

written risk register was created that documents and assesses numerous IT risks and controls, and additional policies and procedures were created or improved. We feel that these improvements, along with the work that is still ongoing, should reduce cyberattack risks. We encourage OIT to continue their progress, and look forward to the results from the next TCF assessment.

cc: Mike Reeser, CEO/Chancellor  
Dale Bundy, VC/CIO



**Internal Audit Department**

**Audit Report**

**Audit of Accounting Controls – Foundation (24-001A)**

**September 6, 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**

Internal Audit has completed a limited scope audit of select accounting controls relied upon by the Foundation. We tested controls that reasonably prevent and detect inappropriate activity that could occur as a result of collusion between a married couple who hold key positions within the Foundation and the College's accounting department. Each year the Chancellor includes this as a risk to be audited periodically when he provides input to our Annual Audit Plan. While there has not been a specific concern expressed about any transaction, this audit provides independent assurance of the controls that are relied upon to manage inherent risks associated with this close relationship. A periodic audit also demonstrates the organizations' awareness of the risks, and its desire to ensure those risks are reasonably controlled.

We tested access to the accounting system used by the Foundation, access to Foundation bank accounts, and oversight of key accounting functions. We also reviewed several transactions in fiscal year 2023 to identify any potential transactions where either of these individuals may have benefited personally.

We determined there are adequate controls in place to reasonably ensure all transactions related to the Foundation are not compromised by the relationship. We determined that the College's Chief Financial Officer (CFO) did not affect transactions associated with the Foundation, nor had the capability to do so. He does not have access to the Foundation's accounting system or bank accounts, and does not approve any accounting activity. Both individuals are mindful of the risks and perception, and have been deliberate in maintaining a separation between their work responsibilities.

## **Introduction**

The TSTC Foundation supports TSTC's campuses across the state, its students, career programs, faculty and staff. It supports the critical needs of students (scholarships, hardships, tools and equipment) and provides funds to enhance the College's ability to provide new and emerging technical programs to support the Texas workforce. This support is used to help improve student success, strengthen the technology of labs, as well as to provide flexibility for the priorities of the College to support the state's growing workforce demands.

Elizabeth Wooten is currently the Provost for the Waco campus, as well as the CEO for the Foundation. Her spouse, Chad Wooten, is the VC/CFO for the College.

## **Objectives**

The overall objective of the audit was to ensure adequate controls exist to reasonably prevent inappropriate activity that may occur because of the family relationship between the Foundation CEO and the VC/CFO.

## Scope & Methodology

The scope of our audit included all financial and accounting related controls that were in place at the time of this audit. All transactions in fiscal year 2023 were within the scope of our testing. Our testing consisted of reviewing software access, bank signature cards, accounting responsibilities, bank reconciliations, Board minutes, and the most recent financial audit report.

## General Observations

Management has been deliberate to ensure no Foundation related functions are performed by the VC/CFO or his direct reports, and to eliminate any capabilities to access Foundation transactions. The VP/Controller for the College oversees all accounting transactions that are recorded by the external bookkeeping firm hired by the Foundation. The financial statements for the Foundation are audited annually by an independent accounting firm, with unqualified opinions being rendered for several years.

Everyone we interacted with in this audit was helpful in explaining processes and providing assistance. The external bookkeeping firm was especially responsive to all requests that we made.

## Summary of Finding

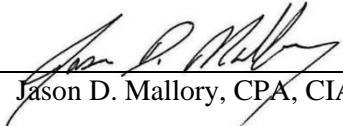
No exceptions were identified.

## Opinion

Based on the audit work performed, adequate controls exist to reasonably prevent and detect inappropriate activity that may occur because of the family relationship between the Foundation CEO and the College's VC/CFO. Furthermore, we did not identify any transaction that were not for the direct benefit of the Foundation and/or College.

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

September 6, 2023

\_\_\_\_\_  
Date



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

November 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, VC/CAE  
 Subject: TAC 202 Compliance – Quarterly Update  
 Date: October 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 August 1 through October 31, 2023, 1 more control was verified as implemented. Several controls noted as “Not Implemented” will be available for testing in the next quarter. For the systems that are lightly shaded, all controls have been implemented.

## RESULTS

### General Controls

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted <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
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
August 2023 – October 2023	37	0	4	0	41
April 2023 – July 2023	37	0	4	0	41
Difference	0	0	0	0	

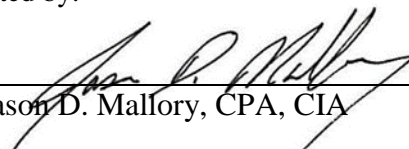
**IT General Controls**

Original Audit: June 23, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted <sup>Note 4</sup>	Total
April 2023 – July 2023	22	6	5	1	34
April 2023 – July 2023	21	6	6	1	34
Difference	+1	0	-1	0	

**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 extent it is not fully controlled by completely restricting administrator rights on laptops and PCs. .

Submitted by:

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

October 31, 2023  
 \_\_\_\_\_  
 Date

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

August 18, 2023

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

RE: FY 2022 Single Audit Evaluation Management Letter  
CFDA: ARPA 21.027, GEER 84.425C, Perkins 84.048

Dear Mr. Hoekstra,

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

The purpose of this letter is to issue our management decision regarding findings, if any, related to state or federal funds passed through the Texas Higher Education Coordinating Board that are noted in your organization’s Appropriation Year 2022 Uniform Guidance 2 CFR Part 200 Subpart F Single Audit Report and related documentation.

**Federal Fund Findings: None**

**State Fund Findings: None**

We greatly appreciate the cooperation and assistance provided by your staff during our review. If you have any questions or comments, please contact Scott Langenbeck via email at [Scott.Langenbeck@highered.texas.gov](mailto:Scott.Langenbeck@highered.texas.gov) or call 512.427.6196.

Thank you for your assistance,



**Paul Maeyaert, JD, MBA, CIA, CGAP, CFE**

Interim Assistant Commissioner – Internal Audit and Compliance

Direct Phone: (512) 427-6482

[highered.texas.gov](http://highered.texas.gov)



cc: Carliss Hyde - Vice President, Sponsored Programs  
Cindy Reily - Associate Vice President, Office of Sponsored Programs  
Jason Mallory - Director of Internal Audit

August 31, 2023

Mr. Mike Reeser  
Chancellor & CEO  
Texas State Technical College  
3801 Campus Drive  
Waco, Texas 76705

Re: *A Compliance Monitoring Desk Review of the Texas Educational Opportunity Grant (TEOG) at Texas State Technical College*, Report No. THECB-CM-FA-23-015.

Dear Mr. Reeser,

I am attaching the final report on *A Compliance Monitoring Desk Review of the Texas Educational Opportunity Grant (TEOG) at Texas State Technical College*, Report No. THECB-CM-FA-23-015. There were no observations resulting from this engagement.

### **Summary**

Texas State Technical College complied with relevant Coordinating Board (THECB) rules and regulations for the Texas Educational Opportunity Grant (TEOG) and with the Texas Administrative Code (TAC), Title 19, Part 1, Chapter 22, Subchapter M, Sections 22.253-22.264 in the areas of student eligibility and program reconciliation.

Our review included tests of TEOG eligibility requirements for data reported and certified by Texas State Technical College. Our review focused on TEOG data for the financial aid year 2021-2022.

Our work included procedures to verify:

- Students met eligibility criteria including SAP requirements;
- Students demonstrated financial need;
- Students fulfilled residency requirements;
- Reported award amounts reconciled with TSTC's student information system data and payment records;
- Applicable students registered with the selective service system; and
- Information security controls related to student information were sufficient for the limited purpose of our audit.

This Compliance Monitoring desk review report will be presented to the THECB Committee on Agency Operations, a standing committee of the THECB Board, in October, 2023.

If you have any questions or comments, please let me know.

Sincerely,

*Paul Maeyaert*

Paul Maeyaert, JD, MBA, CIA, CGAP, CFE  
Interim Assistant Commissioner, Internal Audit and Compliance



**PERFORMED BY:**

Ms. Jamyen Robinson-Hall, Senior Compliance Specialist  
c:

**THECB**

**Board Members**

**Commissioner's Office**

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Ms. Melissa Henderson, Chief of Staff  
Ms. Sarah Keyton, Associate Commissioner for Administration  
Ms. Nichole Bunker-Henderson, General Counsel

**Student Financial Aid Programs**

Dr. Charles W. Contero-Puls, Assistant Commissioner  
Ms. DeCha Reid, Senior Director, Financial Aid Services

**Texas State Technical College**

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Dr. Christine Stuart-Carruthers, Associate Vice Chancellor, Enrollment Management  
Mr. Jason Mallory, Vice Chancellor-Chief Audit Executive  
Ms. Jackie Adler, Executive Director of Financial Aid  
Ms. Denise Eliserio, Director of Financial Aid  
Mr. Johann Martinez, Financial Aid Processing Specialist II

**State Auditor's Office**

Audit Coordinator

**Sunset Advisory Commission**

Ms. Jennifer Jones, Director

**Office of the Governor-Budget and Policy Division**

Ms. Sarah Hicks, Budget and Policy Director

**Legislative Budget Board**

Mr. Christopher Mattsson, Assistant Director



**Texas State Technical College  
Internal Audit  
Attestation Disclosures**

Responsible	Issue Reported by Management	Report Date	Management's Corrective Action Plan	Internal Audit Assistance/Follow-up
VC/CHRO	Due to a recently rejected personal tax return, it was discovered a vendor responsible for filing federal and state payroll reports and documents with taxing entities failed to file the College's 2022 W-2s with the IRS. The vendor has admitted the error, and is attempting to remediate the situation. This error affected all employees who filed a 2022 tax return.	9/28/23	The vendor has acknowledged the error. Legal counsel has also been notified. While the impact on the employees is unknown at this time, assistance will be provided should there be implications.	Internal Audit will monitor the situation to ensure it is resolved.

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.