

Meeting of the Board of Regents

Audit Committee

February 8, 2024
Waco, Texas



**Audit Committee Meeting
of the Board of Regents**

**Col. James T. Connally Aerospace Center
605 Operations Drive
Waco TX 76705***

**Thursday, February 8, 2023
9:30 a.m.**

AGENDA

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

**I. MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR LIZZY DE LA GARZA
PUTEGNAT**

II. COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS & REPORTS

1. Status of Fiscal Year 2024 Audit Schedule & Other ProjectsA-1
Jason D. Mallory
2. Summary of Audit ReportsA-3
Jason D. Mallory
3. Follow-up Schedule & Status.....A-5
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4. Public Funds Investment Act Audit (24-005A) A-11
Jason D. Mallory
5. TWC Training for Demand Occupations Pilot Grant Audit (24-008A)..... A-16
Jason D. Mallory
6. TAC 202 Compliance – Quarterly Update A-20
Jason D. Mallory
7. Attestation Disclosures..... A-24
Jason D. Mallory

IV. CHANCELLOR COMMENTS

V. BOARD COMMENTS

VI. ADJOURN

**Presiding officer will be physically present at this address.*

(c) denotes Consent Agenda Item



**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
INTERNAL AUDITS						
Accounting Controls Audit	Foundation/Finance	Complete	24-001A	9/6/23	9/9/22	Risk Based
Pubic Funds Investment Act Compliance Audit	Finance	Complete	24-005A	11/10/23	9/24/21	Required every 2 years
Grant Audit	Office of Sponsored Programs	Complete	24-008A	12/4/23	-	Risk Based
TAC 202 Follow-up Audit	OIT	In Progress	24-009A	12/31/23	10/31/23	Required Bi-annually
Payment Card Industry (PCI) Audit	OIT	In Progress			5/14/18	Risk Based
Procurement Cards Audit	Procurement	In Progress			-	Risk Based
Internal/External Quality Assessment Review	Internal Audit	In Progress			7/15/21	Required every 3 years
Safety & Security Audit	Safety	In Progress			4/12/21	Risk Based
CRIMES System TAC 202 Audit	Police/OIT	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
TEC 51.9337 (Contracting) Audit	Contract Office				5/18/23	Required Annually
Fleet Management Audit	Fleet				5/11/11	Risk Based
Student Grievance Process Audit	Operations				-	Risk Based
Construction Audits	Facilities, Planning & Construction					
JBC Remodel		In Progress			-	Risk Based
Waco Annex		In Progress			-	Risk Based
Abilene CCAP		Contracted			-	Risk Based
Waco CCAP		Contracted			-	Risk Based
Marshall CCAP		Contracted			-	Risk Based
Fort Bend CCAP		Contracted			-	Risk Based
Harlingen CCAP		Contracted			-	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 was forwarded to housing personnel and the police for review and resolution. As of 12/11/2023, drug use has not been observed.	Housing - Waco	Complete	12-016I	N/A		
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Internal Hotline: Received an anonymous concern from a parent complaining about being required to purchase a meal plan Results: The report was forwarded to Campus Services to consider whether there opportunities to improve meal plan guidelines. IA considered this a management matter, and not representative of fraud, waste, and abuse.	Campus Services	Complete	12-011I	N/A
Internal Hotline: Received an anonymous report of an instructional designer having a second job. There were no details regarding conflict of time, misuse of equipment, etc. Results: This was forwarded to the AVC - Instructional Shared Services. The instructional designer completed a conflict of interest disclosure that will be considered by the COI committee. His supervisors do not feel he has a conflict, but the COI committee will make the final determination.	Operations	Complete	12-010I	12/20/23
Management Report: Received a report that an employee misused her travel card. Results: Identified almost \$800 in either disallowed or wasteful purchases. Employee was terminated prior to the completion of the review for an unrelated performance matter.	Accounts Payable	Complete	12-013I	1/9/24
Internal Hotline: Received an anonymous concern in which student retention practices conflicting sometimes with enrollment goals. Results: The report was referred to the managers of enrollment and student retention to determine whether any of their processes conflict. The report was forwarded because it did not allege fraud, waste and abuse, but a follow-up will be conducted by IA to ensure the managers reviewed their practices as requested.		In progress	12-012I	
Internal Hotline: Received an anonymous concern of inappropriate hiring practices Results: The report was forwarded to HR for investigation. Pending results.		In progress	12-014I	
Internal Hotline: Received an anonymous complaint that of inconsistent practices related to offsite team building, and a lack of transparency of raises and bonuses. Results: The report was forwarded to Operations staff and HR. Pending results.		In progress	12-015I	

Glossary

HR	Human Resources
IA	Internal Audit
OIT	Office of Information Technology
SAO	State Auditor's Office
TEC	Texas Education Code
TAC	Texas Administrative Code



**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
Public Funds Investment Act Audit (24-005A)	<p>1. We identified three minor exceptions related to incorrect maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report, which overstated collateral by \$11,192. With stated collateral adjusted for the error, the collateral amount was still more than sufficient.</p>	<p>Two CDs were reported with the wrong maturity dates. The first CD had a reported maturity date of 4/5/24. The actual maturity date is 4/4/24. The second CD had a reported maturity date of 4/13/24. The actual maturity date is 4/12/24. The Harlingen Operating Bank account had a reported interest rate was 4.81%, but the actual interest rate was 4.61%. We also determined the deposit at Frost Bank was \$71,793. Interestingly, Frost Bank pledged collateral of \$376,934, even though the FDIC insurance was sufficient. The amount reported as pledged collateral was \$388,126, an overstatement of \$11,192.</p>	<p>1.1 The investment report and collateral report will be reviewed more closely, and an automated element will be added to prevent human error. By February 29, 2024, Workday reports will be created to pull this data directly from bank statements rather than manually inputting this data.</p>	<p>Anju Motwani</p>	<p>2/29/24</p>

TWC Training for Demand Occupations Pilot Grant Audit (24-008A)	<p>No material exceptions identified.</p>
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TAC 202 Compliance – Quarterly Update (24-009A)

1. 2 more controls were implemented. There are 7 controls still outstanding, but they are not ready to be tested.

<p>Travel Card Fraud Investigation (24-013I)</p>	<p>1. We identified 18 purchases with a cost of \$796 made on the T-card that were either disallowable, or wasteful.</p>	<p>The disallowed transactions included \$208 purchases made in the employee's home campus location that included restaurant charges, and personal sundries such as cough medicine, tissues, and nasal spray. Other disallowed charges included \$118 during travel that included alcohol, mini-bar charges, and other personal sundries. This amount also included a parking fee that was charged, but then also submitted by the employee for reimbursement as an out-of-pocket expense. The wasteful charges included \$471 in Uber charges during a 3-day conference.</p>	<p>I.1 Management has terminated the employment of the employee involved in the investigation. Management of Procurement Services will consult with legal and law enforcement to determine whether pursuing criminal action is justified.</p>	<p>Jessica Chavira</p>	<p>Immediately</p>
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**Texas State Technical College
Internal Audit
Follow Up Schedule & Status**

Completion Summary			
	9/30/23	12/31/23	Audits cleared from (Added to) Schedule
Audits from FY 2020	0	0	0
Audits from FY 2021	1	0	1
Audits from FY 2022	1	0	1
Audits from FY 2023	7	7	0
Net Total	9	7	2

Highlights:

Audit of Disbursements from Student Club Accounts (21-007A): All corrective action is complete.
Audit of Online Learning (22-002A): All corrective action is complete.
Procurement Card Fraud Investigation (23-016I): Substantially complete.
ITGC Controls Audit: 2 of 4 CAPs verified as complete.
Payroll and Benefits Proportionality Audit (23-019A): 1 of 3 CAPs complete.
Unauthorized Access to Email, Chat & Calendar Contents (23-026I): All corrective action is complete.
Conflict of Interest Investigation: All corrective action is complete.
W-2 Attestation: All corrective actions are complete, but further testing will be performed to ensure no other impacts materialize.

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>T Drive Audit (23-012A), McKee</p>	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>Ongoing: Testing will be part of the quarterly TAC 202 follow-up.</p>	<p>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</p>	<p>8/31/24</p>
			<p>Ongoing: Testing will be part of the quarterly TAC 202 follow-up.</p>	<p>This testing will be moved into our Disaster Recovery plan and Testing, which is under the IT General controls section of this document.</p>	<p>5/15/24</p>
<p>Procurement Card Fraud Investigation (23-016I), Boykin</p>	<p>1. We identified over \$7,000 in potentially fraudulent purchases on an employee's P-card. The matter was referred to the Police for a criminal investigation.</p>	<p>1.1 Workday delegation functionality will be re-engineered to add more controls.</p>	<p>Substantially Complete: Per Jessica Chavira, the new delegation authority rules have been successfully tested. Jessica is working on communication and getting ready to roll out. Target for roll out is end of January 2024.</p>		<p>12/31/23</p>

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.	Ongoing		Begin in Fall 2023
			Ongoing - Pending Review		9/30/23
			Pending Review		8/31/23

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
Audit of IT General Controls (23-018A), McKee	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. 1.2 Update and test the disaster recovery plan by performing a tabletop exercise which will serve as training for those involved in the Disaster Recovery Plan. This plan will be updated and tested on an annual basis going forward.	Ongoing		8/31/24
			Ongoing	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

Payroll and Benefits Proportionality Audit (23-019A), Sill, Motwani	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.	1.2 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.	Ongoing		1/31/24
	2. Workday is including non-benefits eligible pay items in the proportionality calculation.	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.	Pending Review		9/30/23

Report Name & No., Resp. Sr Mgr Mayfield 11/2023	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
1.	A vendor responsible for filing federal payroll reports and documents with taxing entities failed to file the College's 2022 W-2s timely. The vendor admitted the error, and is attempting to remediate the situation. This error affected all employees who filed a 2022 tax return.	1.1 Vendor will file the necessary reports.	Complete		10/31/23
		1.2 The situation will be closely monitored for impact to employees, steps communication and assistance being considered as needed.	Ongoing - Significant monitoring efforts are taking place. To date, only one former employee has been confirmed as being impacted. There is one other that it may have been impacted, but that has not yet been conclusively determined. Management is still weighing additional remedies is other employees come forward.		Ongoing
		1.3 Future report filings by the vendor will be confirmed.	Pending Review - will be verified in February after W-2s and W-3 are prepared and sent to the Social Security Administration.		1/31/24

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>Public Funds Investment Act Audit (24-005A), Motwani</p>	<p>1. We identified three minor exceptions related to incorrect maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report, which overstated collateral by \$1,192. With stated collateral adjusted for the error, the collateral amount was still more than sufficient.</p>	<p>1.1 The investment report and collateral report will be reviewed more closely, and an automated element will be added to prevent human error. By February 29, 2024, Workday reports will be created to pull this data directly from bank statements rather than manually inputting this data.</p>	<p>Ongoing</p>		<p>2/29/24</p>

Internal Audit Department

Audit Report

Public Funds Investment Act Audit (24-005A)

November 10, 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

Chapter 2256 of the Texas Government Code, commonly referred to as the Public Funds Investment Act (PFIA), provides guidance on the authority and responsibilities the College has when making investment decisions. The PFIA requires a biennial compliance audit to ensure all rules are followed. In addition, Article III, Rider 5 of the General Appropriations Act, 88th Legislature (Rider 5), also specifies various investment reporting requirements. The purpose of this audit was to satisfy the biennial audit requirement by verifying the College has complied with the PFIA and Rider 5 during fiscal years 2022 and 2023.

Our audit was conducted to ensure all major provisions within the PFIA and Rider 5 were followed. Specifically, we tested the College's investment policy to ensure it includes all required elements of the PFIA, and to determine whether it is reviewed and approved by the Board of Regents (Board) annually. We also reviewed training records, conflict of interest disclosures, and bidding procedures. Quarterly investment and collateral reports were tested to determine their validity, accuracy and timeliness. The investment portfolio was scrutinized to ensure all investments were allowable by both policy and regulation. Finally, we determined various reports and investment information is published on the College's website, and that an "annual tracking report" was submitted to the State Auditor's Office by December 31.

Our test revealed that all investments and related collateral are within PFIA guidelines, required training is being performed, and conflicts of interest disclosures were obtained with no conflicts being reported. The quarterly investment and collateral reports report valid and accurate information in a timely manner. Written policies in compliance with the PFIA have been implemented, and those policies were approved by the Board in both fiscal years under audit. The investment strategy as demonstrated by the make-up of the current investment portfolio is managed to, in order of priority, preserve principal, achieve liquidity, and then maximize yield. The annual tracking report was submitted to the State Auditor's Office timely and all required information per Rider 5 was posted on the College's website.

In our opinion, the College substantially complied with the PFIA and Rider 5 during fiscal years 2022 and 2023. We identified three minor exceptions related to maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report in which the reported collateral was overstated by \$11,192. However, the College was still fully collateralized. Typically, these exceptions would be passed on due to them not representing a significant issue, however, the guidelines for this audit require all instances of non-compliance, irrespective of materiality, to be reported to the State Auditor.

Introduction

Chapter 2256 of the Texas Government Code outlines the rules State entities must follow when investing its funds. Its primary investment objective is preservation of principal. Maximizing yield, while addressed, is not its ultimate concern. To achieve the primary objective, it specifies the type of investments that are allowable, outlines training requirements, addresses conflict of interest procedures, and mandates policy and reporting guidelines.

Within the College, the Vice Chancellor & CFO has been designated as the College's Investment Officer, with the Vice President/Controller being designated as the alternate. They are primarily responsible for the College achieving PFIA and Rider 5 compliance.

Currently, the investment portfolio is very conservative, with the majority of funds representing unexpended bond proceeds and debt service invested in laddered securities issued by the U.S. Treasury and other U.S. governmental agencies. The remainder of the investment portfolio is comprised of demand deposits, certificates of deposit, money market accounts, and investments in TexPool accounts. As of May 31, 2023, total investments were \$378,840,533, with \$348,956,339 invested in TexPool accounts and securities issued by the U.S. Treasury and other U.S. governmental agencies. The remaining \$29,884,194 was deposited into banks that maintained over \$34,876,934 in collateral in FDIC insurance and other pledged collateral.

Objectives

The objectives of the audit were to determine whether:

1. The College has achieved compliance with the PFIA and Rider 5 in fiscal years 2022 and 2023.
2. Adequate controls were designed/implemented for continuing compliance.

Scope & Methodology

The scope of our audit included all investments and collateral, policies, and related training, disclosures, and reports in fiscal years 2022 and 2023. We audited to Chapter 2256 of the Texas Government Code, Article III, Rider 5 of the General Appropriations Act, 87th Legislature, and SOS FA 2.03 Investments to ensure compliance of all College investment activities in those years.

General Observations

Management has established strong controls to ensure investments are appropriately maintained, with practices in accordance with established guidelines. Internal policy parallels regulatory guidance and addresses the College's investment strategy. Management does a commendable job in documenting related activity and reporting it timely to the Board.

Summary of Finding

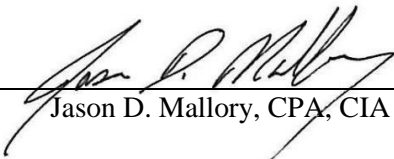
We identified three minor exceptions related to incorrect maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report, which overstated collateral by \$11,192. With stated collateral adjusted for the error, the collateral amount was still more than sufficient.

Opinion

Based on the audit work performed, TSTC complied with Chapter 2256 of the Texas Government Code and Article III, Rider 5 of the General Appropriations Act, 87th Legislature, in fiscal year 2022 and 2023. We identified four minor exceptions that are detailed in this report because of a requirement by the State Auditor to report all exceptions, irrespective of their materiality.

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

November 10, 2023

Date

AUDIT FINDING DETAIL

Finding #1: We identified three minor exceptions related to incorrect maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report, which overstated collateral by \$11,192. With stated collateral adjusted for the error, the collateral amount was still more than sufficient.

Criterion: We selected a sample of investments reported on the May 31, 2023, Quarterly Investments Report. We reconciled the values and interest rates to related bank statements and direct confirmation with the banks to ensure the amounts and rates reported were correct.

Two CDs at First National Bank Albany/Breckenridge were reported with the wrong maturity dates. The first CD, valued at \$65,000, had a reported maturity date of 4/5/24. The actual maturity date is 4/4/24. The second CD, valued at \$34,215, had a reported maturity date of 4/13/24. The actual maturity date is 4/12/24. The Harlingen Operating Bank account had a balance of \$45,775 on May 31, 2023. The reported interest rate was 4.81%, but the actual interest rate was 4.61%.

Additionally, we also reviewed the May 31, 2023 Pledged Collateral report to ensure all reported amounts were sufficient and accurate. We determined the deposit at Frost Bank was \$71,793. Interestingly, Frost Bank pledged collateral of \$376,934, even though the FDIC insurance was sufficient. The amount reported as pledged collateral was \$388,126, an overstatement of \$11,192.

These exceptions resulted from simple errors when the two reports were created.

Consequences: No material risk.

Possible Solutions: Review all reported amounts and interest rates on each Quarterly Investment and Pledged Collateral Report by comparing them to the related bank statements.

Management Response

Management of the Controller's Office agrees with the observations made in the audit. The findings noted above were the result of an isolated incident and human error. The investment report and collateral report will be reviewed more closely, and an automated element will be added to prevent human error. By February 29, 2024, Workday reports will be created to pull this data directly from bank statements rather than manually inputting this data. Anju Motwani, AVC and Controller will be responsible for implementation of this corrective action plan.



Internal Audit Department

Audit Report

**TWC Training for Demand Occupations Pilot Grant
Audit (24-008A)**

December 4, 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 the Texas Workforce Commission (TWC) Training for Demand Occupations Pilot Grant (Grant). The primary objective of this project was to verify compliance with major grant requirements, and to ensure the College is achieving the Grant's operational objectives. The scope of the audit included all transactions from May 1, 2023, through November 10, 2023.

To accomplish our objectives, we reviewed course documentation, supplies and equipment purchases, and administrative costs. Additionally, we tested reporting procedures, cash draws, and access to TWC's online reporting system. Finally, to ensure the Grant was authorized, we ensured it was executed by the appropriate level of authority within the College.

Permissible courses are being taught and billed at the approved rates, only allowable supplies and equipment are being purchased, and the administrative charges are appropriate. Both monthly expenditure reports and quarterly progress reports are accurate and submitted timely, cash drawdowns reconcile to the reports. Access to TWC's reporting system is properly restricted, and the Grant contract was executed by the appropriate level of authority.

Introduction

The Grant provides \$2,996,959 to train up to 616 students in 8 different programs at multiple campuses. The Grant's objective is for students to obtain industry endorsed and recognized certifications in target programs. The target programs are Allied Health, Automotive Maintenance, Aviation, Commercial Driver's License Training, Plumbing, Construction, OSHA Safety, and Industrial Maintenance. The Grant allows \$96,425 in salary and benefits cost for an Enrollment Communication Specialist and Project Director, with an additional \$31,494 for other administrative costs. The Grant allows \$209,300 for supplies and \$1,081,680 for equipment. The grant began on May 1, 2023, and ends on April 30, 2024. As of the date of this report, 143 students have been trained, with \$933,614.62 expended. The Office of Sponsored Programs is working with the Workforce Development Department and TWC to ensure training objectives are met. This includes working with local workforce boards to recruit participants to the Grant. Additionally, the number of trainees targeted for specific programs can be adjusted to meet industry needs, including training more participants in certain in demand programs to ensure overall participant numbers are achieved.

The Workforce Development Department recruits and teaches students who benefit from the Grant. The following courses have been taught under this Grant: Forklift Certification, Phlebotomy Technician, SACA – Mechatronics Industrial Systems Training, OSHA 10, OSHA 30, NCCER Maritime Welding, NCCER Core, Automotive Service Technician, Aviation Apprenticeship, and Commercial Driver's License. Courses have been taught on the Waco, Harlingen, Abilene, Brownwood, North Texas, Marshall, Fort Bend, and East Williamson County campuses.

The Office of Sponsored Programs administers the Grant by ensuring all expenditures are appropriate and allowable, the Grant's purposes are achieved, and compliance requirements are met. Grant Accounting facilitates necessary expenditures, prepares and submits monthly financial reports, and prepares periodic cash drawdowns for reimbursement.

Objectives

The objectives of the audit test were to:

- verify select operational objectives of the Grant are being met,
- the contract was executed by the appropriate level of authority,
- expenditures paid by the Grant are allowable, and reimbursed timely,
- access to the TWC reporting system is appropriate, and
- all required reports are accurate and submitted on time.

Scope & Methodology

The scope of the audit included all transactions and training from the start of the Grant on May 1, 2023, through November 10, 2023. To accomplish our objectives, we obtained the Grant agreement and identified key compliance requirements. Those included allowable uses of funds, training expectations and limitations, reporting requirements, and access to online systems. We tested courses that were taught, which include reviewing rosters. We validated supplies and equipment purchases by reviewing purchase documentation such as receipts and approvals. We tested administrative costs to verify they were within boundaries set by the Grant. Monthly and quarterly reports were tested for accuracy and timeliness, cash draws were reconciled to the previously mentioned reports, and access to TWC's reporting system was tested by obtaining a user list and considering each individual's access needs and levels. Execution of the Grant was tested by comparing the signor to the College's list of persons approved to sign contracts.

General Observations

TWC wants a skilled workforce that is prepared and equipped to fill current and future critical in-demand jobs. This desire aligns with TSTC's goal of placing more Texans in great paying jobs. The College and TWC met to identify statewide employment needs and barriers. Through a collaborative effort, both agencies agreed part of the solution was the Grant.

The Office of Sponsored Programs developed strong processes to ensure Grant requirements are met. They work closely with other areas of the College, including Grant Accounting and the Workforce Development Department, to ensure all objectives and requirements are being achieved. The Workforce Development Department is offering courses that align with the Grant. Staff involved in this audit were helpful and responsive to all questions and requests for documentation.

Summary of Findings

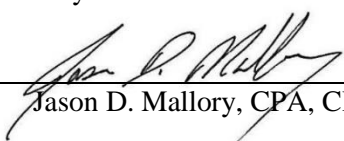
No material exceptions were identified.

Opinion

Based on the audit work performed, the objectives for the Training for Demand Occupations Pilot Grant are being achieved, and compliance requirements are being met. This includes reports being accurate and timely, appropriate courses being taught, and administrative costs being legitimate and within permissible boundaries.

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

December 4, 2023

Date

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

February 2024

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: December 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 November 1 through December 31, 2023, 2 more control was verified as implemented. There are currently only 7 more controls from past audits on this report to test. For the systems that are lightly shaded, all controls have been implemented.

RESULTS

General Controls

Original Audit: June 28, 2017

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

Note 1: Management has elected to not implement controls SC-20 & SC-21 because implementing is too costly, and does not provide additional risk mitigation. Furthermore, they have researched other agencies and institutions of higher education, and no one else has implemented the controls. IA-7 relates to cryptographic modules. There are no systems or environments that use these. Finally, they have elected to accept risks with not fully implementing CM-11 related to fully restricting software from being installed by end-users. They feel that compensating controls such as malware, and the ability to restrict specific downloads from the internet assist with mitigating associated risks.

Colleague

Original Audit: June 28, 2017

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of March 2022	38	11	0	0	49

Perceptive Content

Original Audit: June 28, 2017

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

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

Maxient

Original Audit: February 25, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of December 2021	46	3	0	0	49

Google Suite

Original Audit: December 10, 2018

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

Note 3: AC-7 requires the system to lock for at least 15 minutes after 10 failed logon attempts. AC-8 requires a banner to be displayed that indicates unauthorized access is prohibited before a user signs on. This system does support either of these requirements. The risk of unauthorized access is mitigated by other compensating controls.

Target X

Original Audit: September 30, 2019

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of December 2021	48	1	0	0	49

Informatica Server

Original Audit: September 30, 2019

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

PrismCore

Original Audit: September 21, 2020

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

Note 4: AU-5 requires the system to send an alert when an audit log fails. This system does not have that capability.

Informer

Original Audit: April 6, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of June 2022	38	11	0	0	49

VPN

Original Audit: November 22, 2021

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 5}	Total
As of September 2022	50	0	0	2	52

Note 5: AU-5 requires monitoring of audit log failures. Implementing this control would require a 3rd party software add-on, which we do not feel the benefit of doing so outweighs the cost. We have a compensating control where we monitor logs monthly. CP-4 requires periodic back-up testing. The testing of this control would cause a disruption to services provided to employees working remotely. There are compensating controls of stored backup configurations. OIT tests the backups before completing any upgrades or updates to the appliance.

Canvas LMS

Original Audit: May 20, 2022

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
As of December 2022	43	10	0	0	53

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
November 2023 – December 2023	37	0	4	0	41
August 2023 – October 2023	37	0	4	0	41
Difference	0	0	0	0	

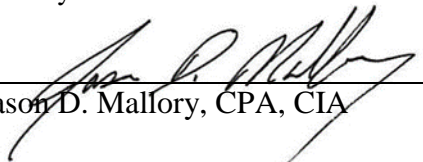
IT General Controls

Original Audit: June 23, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
November 2023 – December 2023	24	6	3	1	34
August 2023 – October 2023	22	6	5	1	34
Difference	+2	0	-2	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 extend it is not fully controlled by completely restricting administrator rights on laptops and PCs. .

Submitted by:


 Jason D. Mallory, CPA, CIA

December 31, 2023
 Date

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



Texas State Technical College
Internal Audit
Attestation Disclosures

Responsible Management	Issue Reported by Management	Report Date	Management's Corrective Action Plan	Internal Audit Assistance/Follow-up
No new reports were made.				

The noted items were reported during the attestation process, and have been disclosed to the Chancellor. These were deemed to be worthy of disclosure to the Audit Committee.