

# Meeting of the Board of Regents

Audit Committee

May 15, 2025  
Red Oak, Texas



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

**Texas State Technical College  
119 N Lowrance Rd, Red Oak, TX 75154\***

**Thursday, May 15, 2025  
9:30 a.m.**

**AGENDA**

[Ron Rohrbacher (Chair), Eric Beckman, Curtis Cleveland (Members)]

**I. MEETING CALLED TO ORDER BY AUDIT COMMITTEE CHAIR RON ROHRBACHER**

**II. COMMITTEE CHAIR COMMENTS**

**III. MINUTE ORDERS & REPORTS**

- |  |                         |      |
|--|-------------------------|------|
| 1. Revision of Fiscal Year 2025 Audit Plan   | <i>Jason D. Mallory</i> | A-01 |
| 2. Status of Fiscal Year 2025 Audit Schedule & Other Projects                                  | <i>Jason D. Mallory</i> | A-02 |
| 3. Status of Construction Audits   | <i>Jason D. Mallory</i> | A-06 |
| 4. Summary of Audit Reports  | <i>Jason D. Mallory</i> | A-07 |
| 5. Follow-up Schedule & Status   | <i>Jason D. Mallory</i> | A-10 |
| 6. Workforce Training Audit (25-006A)  | <i>Jason D. Mallory</i> | A-20 |
| 7. Audit of Construction Contract – Renovation of JBC 1 <sup>st</sup> & 2 <sup>nd</sup> Floors | <i>RL Townsend</i>      | A-27 |
| 8. TAC 202 Compliance – Quarterly Update (25-007A)   | <i>Jason D. Mallory</i> | A-34 |

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

(c) denotes Consent Agenda Item

9. FY 2024 Perkins Desk Review	<i>THECB</i>	A-38
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10. Post-Payment Audit	<i>Texas Comptroller of Public Accounts</i>	A-46
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11. Attestation Disclosures	<i>Jason D. Mallory</i>	A-61
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**IV. CHANCELLOR COMMENTS**

**V. BOARD COMMENTS**

**VI. ADJOURN**

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(c) denotes Consent Agenda Item



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<b>Board Meeting Date:</b>	May 15, 2025	<b>Proposed Minute Order #:</b> IA 01-25(c)
<b>Proposed By:</b>	Jason D. Mallory, Chief Audit Executive	
<b>Subject:</b>	<b>Revision of Fiscal Year 2025 Audit Plan</b>	
<b>Background:</b>	The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents approval for the Annual Audit Plan (Plan) and any revisions. The Chief Audit Executive recommends revising the Plan originally approved by Minute Order #IA 01-24(c) on August 8, 2024 by removing an audit of the hiring process, but replacing it with an audit of the payroll process. Both audits are in the same division.	
<b>Justification:</b>	The Plan originally included an audit of the hiring process within Human Resources. Management requested in October an audit of the payroll process be performed. We feel the payroll audit would add more value at this time.	
<b>Additional Information:</b>	None.	
<b>Fiscal Implications:</b>	No significant fiscal impact.	
<b>Attestation:</b>	The Minute Order is in compliance with all applicable laws and regulations to the best of my knowledge.	
<b>Attachment(s):</b>	None.	
<b>Recommended Minute Order:</b>	"The Texas State Technical College Board of Regents approves revising the audit plan for Fiscal Year 2025 by removing an audit of the hiring process, but replacing it with an audit of the payroll process."	
<b>Recommended By:</b>	<b>[ORIGINAL SIGNED BY]</b> Jason D. Mallory, Vice Chancellor/Chief Audit Executive	



**Texas State Technical College**  
**Internal Audit**  
**Status of Fiscal Year 2025 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
<b>INTERNAL AUDITS</b>						
SB 17 Compliance Audit	Human Resources/Legal	Complete	25-001A	8/19/24	-	Compliance Based
TWC Contract Audit	Business Intelligence	Complete	25-002A	9/12/24	5/16/22	Risk Based
Internal Network Penetration Test	North Texas	Complete	25-011A	11/19/24	6/9/22	Risk Based
Internal Network Penetration Test	Fort Bend	Complete	25-013A	11/21/24	1/4/22	Risk Based
Internal Network Penetration Test	New Braunfels	Complete	25-012A	11/25/24	-	Risk Based
Clery Audit	Safety & Security	Complete	25-003A	12/12/24	4/8/20	Compliance Based
Travel Expense Audit	Procurement	Complete	25-010A	12/16/24	6/28/24	Risk Based
Workforce Training	Workforce Training	Complete	25-006A	2/24/25	10/12/18	Risk Based
TAC 202 Follow-up	OIT	Complete	25-007A	3/31/25	10/1/24	Risk Based
Workday - TAC 202 Audit	OIT	In Progress	25-027A		-	Risk Based
Tuition Audit	Finance	In Progress	25-022A		3/29/22	Risk Based
Payroll Audit	Payroll	In Progress	25-016A		8/14/23	Risk Based
Student Discipline Process	Retention Services	In Progress	25-025A		-	Risk Based
Audit of Federal Financial Aid	Financial Aid				3/21/17	Risk Based
Hiring Process	Human Resources	Requesting Revision			-	Risk Based
Syllabi Audit	Operations				-	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office				9/19/24	Risk Based
Construction Audits	Facilities, Planning & Construction		24-006A			
JBC Remodel		Complete		2/24/25	-	Risk Based
Waco Worksite		In Progress			-	Risk Based
EEC & TSC Renovation		In Progress			-	Risk Based
Marshall CCAP		In Progress			-	Risk Based
Abilene CCAP		In Progress			-	Risk Based
Waco CCAP		In Progress			-	Risk Based
Fort Bend CCAP		In Progress			-	Risk Based
Harlingen CCAP		In Progress			-	Risk Based
Hutto CCAP		In Progress			-	Risk Based

**EXTERNAL AUDITS**

Compliance with Public Funds Investment Act and Rider 5, General Appropriations Act, Reporting Requirements by the State Auditor's Office	Finance	Complete	24-020	8/31/24	
Desk Audit - Controls Over Expenditure Processing by the Comptroller's Office	Procurement, Accounting	Complete	001-23-03	11/20/24	
A Summary Report on Full-time Equivalent State Employees for Fiscal Year 2024 by the State Auditor's Office	HR	Complete	25-706	12/1/24	
FY2024 Perkins Desk Review by the Texas Higher Education Coordinating Board	Office of Sponsored Programs	Complete		2/20/24	
Post Payment Audit performed by the Comptroller's Office	Procurement, Accounting	Complete		3/26/25	

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Desk Audit - Payment Approval Authority and Security by the Comptroller's Office.	Procurement, Accounting	In Progress				
Desk Audit - Commercial Charge Card Rebate Program by the Comptroller's Office.	Procurement, Accounting	In Progress				

#### OTHER INTERNAL PROJECTS

Internal Hotline: Received a complaint that a supervisor abused his authority by requiring and employee to perform tasks that he was not responsible for. Results: The allegation was forwarded to HR for review and resolution. They did not identify any wrongdoing on the part of the supervisor.	OIT	Complete	24-039I	8/22/24		
Internal Hotline: Received an anonymous concern alleging a supervisor does not foster an environment which makes TSTC a great place to work. Results: The concern was forwarded to HR. They did not identify any violation of policies by the supervisor.	Testing	Complete	24-036I	8/30/24		
Internal Hotline: We received a report from a student regarding a phishing scam she was the target of regarding a fake employment opportunity. Results: We referred the report to OIT, Career Services and Enrollment Services. All employees and students were notified of the scam, all students who responded to the scam were contacted to help remediate any losses they suffered, and procedures were implemented to shutdown the path the scammer utilized. It does not appear the scam was successful.	OIT, Enrollment Services	Complete	25-008I	No report was issued. This was handled by OIT.		
Management Report: We were notified in late August of a suspicion of 2 employees using surplus property for personal use. Results: Validated the suspicion, but determined their actions were largely caused by a misunderstanding due to a language barrier.	Physical Plant/Surplus Property	Complete	25-009I	9/20/24		
Management Request: Management engaged us to review travel expenses from a certain budget to offer control recommendations. Results: Provided management recommendations to better control expenses and the management of the budget.	Operations	Complete	25-014I	11/15/24		
Face to Face Report: An employee contacted Internal Audit to report theft of time by a co-worker. Results: The complaint was referred to the Provost Office, who met with the employee and Team Lead to correct the issue. Ongoing monitoring is taking place.	Operations	Complete	25-015I	11/5/24		

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Internal Hotline Report: Received an allegation that the Advocacy Resource Center is no longer providing snacks. Results: Referred the matter to management due to the complaint being trivial. Determined that some continuing education students were abusing the food pantry. The intent of the pantry is to provide meals to students in need, not to provide snacks.	Advocacy Resource Center	Complete	25-018I	11/4/24		
Internal Hotline Report: Allegation that a supervisor was under the influence at work. Results: The matter was referred to HR and the accused person's supervisor. Their review did not find the allegation to have merit.	Enrollment Services	Complete	25-019I	11/18/24		
Internal Hotline Reports: Received an allegation of a manager harassing and bullying subordinates, with protection being provided by her supervisor. Results: Complaints were referred to HR for review and action. This was one of many within Enrollment Services that represented a cultural issue. In January, a group meeting was held to deal with the issues. Some managers were dismissed.	Enrollment Services	Complete	25-017I & 25-020I	No report. Handled by management as part of an employee issue.		
Internal Hotline Report: Received an allegation of student financial assistance being abused by a student. Results: We determined the allegation had merit. The student received \$1,000 based on a need that was not legitimate.	Operations/ ARC	Complete	25-023I	3/7/25		
Internal Hotline Report: Received an allegation that a manager received a kickback from a vendor. Results: Allegation had no merit. This was one of many within Enrollment Services that represented a cultural issue. In January, a group meeting was held to deal with the issues. Some managers were dismissed.	Marketing/Enrollment Services	Complete	25-024I	No report. Handled by management as part of an employee issue.		
SAO Hotline: Received a report from a lady in Arizona indicating a person with a tstc.edu email was attempting to phish her. Results: Determined that the attempts were legitimate, but the perpetrator was not connected to the College. He was using a legitimate College email that was issued to him after applying to be a student. That email was shut down, the process for issuing emails to applicants was changed.	Marketing/Enrollment Services	Complete	25-031I	No report, but contact was made with the reporter to inform her that the perpetrator was not connected with the College.		

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
Open Records Request: Compiled all allegations of fraud, waste, and abuse and the associated findings from 1/1/2021 and forward. This request came from State Representative.	College-wide	Complete	25-034P	No report		
Management Request: The Chancellor requested we validate his base salary due to recent errors. Results: Validated his base salary by comparing it to documented Board action since 2019. His current base salary is now accurately reflected.	Office of the Chancellor	Complete	25-032P	No report		
Management Request: We were informed of a financial aid fraud. Results: Determined that 6 awards of federal financial aid were made to a person using stolen identities.	Marketing (Enrollment, Financial Aid), Financial Services	Complete	25-033I	3/28/25		
Internal Hotline Report: Received an anonymous report questioning the amount of sick leave an employee is taking, and alleging reports are being manipulated by a manager to cover the absences.		In Progress				



**Construction Audits  
Status Report  
March 31, 2025**

In Progress						
TSTC - Project Name	Contractor	Estimated Substantial Completion	GMP	Agreed to Audit Issues/Cost Avoidance	Audit Cost	Status from R. L. Townsend Construction Audit Services
Marshall CCAP	Bartlett Cocke	11/01/2024	\$ 9,163,093	\$ 19,058	\$ 16,500	Audit Entrance Meeting 2/14/2024 GC Labor burden agreed to at 30% Cost Avoidance for GC Labor Burden tbd Closeout audit in process
Waco Worksite	Mazanec	12/05/2024	\$ 12,000,000	\$ 24,851	\$ 16,500	Audit Entrance Meeting 8/17/2023 Draft Audit Report in process \$32K in additional work to be performed in April Final Pay Application/Final Audit Report estimated in May
Harlingen CCAP	JT Vaughn	04/22/2025	\$ 46,526,257	TBD	\$ 52,000	Audit Entrance Meeting 5/23/24 Audit meeting requested by TSTC for 3/21/2025 to discuss: change order backup with Vaughn Audit to initiate GC labor review & updated documentation request
EEC & TSC Reno (CSP)	Imperial	04/29/2025	\$ 9,300,000	\$ 23,342	\$ 8,500	Audit Entrance Meeting 4/17/2024 Resolving final audit questions Draft Audit Report in process
Abilene CCAP	Imperial	06/16/2025	\$ 20,000,000	\$ 12,725	\$ 22,000	Audit Entrance Meeting 11/15/2023 GC Labor Rates reviewed and agreed to Audit is in process and documentation is current
Fort Bend CCAP	JT Vaughn	08/01/2025	\$ 42,000,000	TBD	\$ 48,000	Audit Entrance Meeting 2/22/2024 An agreed upon evolving process has been developed for GC labor reviews. AQ Log pending receipt of requested documentation
Waco CCAP	Rogers O'Brien	09/02/2025	\$ 59,600,000	TBD	\$ 65,000	Audit Entrance Meeting 11/17/2023 Engaged with construction team on various change order reviews Nothing significant identified to date
Hutto CCAP	SpawGlass		\$ 32,500,000	TBD	\$ 31,500	Audit Entrance Meeting 2/25/2025 Project/Audit in early stages
Total			\$ 231,089,350	\$ 79,976	\$ 260,000	

Complete						
TSTC - Project Name	Contractor	Substantial Completion	Final Contract Value	Audit Recovery	Audit Cost	Status from R. L. Townsend Construction Audit Services
Griffith Hall	Lee Lewis	completed	\$ 21,212,688	\$ 278,281	\$ 15,000	Final Report Issued 7/20/2022
FTB Welding	Bartlett Cocke	completed	\$ 8,089,004	\$ 55,977	\$ 11,000	Final Report Issued 8/24/2023
JBC Remodel	Imperial	completed	\$ 13,020,898	\$ 111,275	\$ 16,500	Final Report Issued 2/24/2025
Total			\$ 29,301,692	\$ 445,533	\$ 42,500	
Grand Total			\$ 260,391,042	\$ 525,509	\$ 302,500	
Net Audit Recovery				\$	223,009	



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
<b>Workforce Training Audit (25-006A)</b>	1. Administrative procedures related to access, hiring, pay, and course scheduling should be improved.	Several people have access to Colleague that they did not need.	1.1 Ensure that inappropriate access levels are rectified.	Bowen	3/31/25
		There is not a formal process where opportunities are posted for every qualified instructor to apply; identified 10 instances of pay not following the prescribed schedule.	1.2 Clarify temporary teaching roles for accelerated training, email distribution lists for opportunities, and implement a tracking system for applicants that would like to teach.	Howard	3/31/25
		There needs to be a better process for managing apparent course schedule conflicts.	1.3 Utilize faculty orientation, clarify manual processes, and review faculty service agreements. Instructor schedules will be audited, with written approval tracked.	Howard	3/31/25
	2. Financial transactions and financial performance monitoring should be enhanced.	Over \$142 thousand in accounts receivables were over 90 days old; financial performance information is not always correct.	2.1 Meet monthly with accounting to collectively review recent activity. Initial communication to outstanding balances will be performed by the Accounting team, with supporting communication for unsatisfied invoices beyond 90 days to be supported by the Workforce Training and Continuing Education department, assigned to the departmental teammate with the most regular contact with the invoice recipient.	Smith & Harvey	5/31/25

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr. Mgr	Expect. Complete Date
<b>Audit of Construction Contract – Renovation of JBC 1st &amp; 2nd Floors</b>	1. TSTC realized savings of \$101,587 and avoided costs of \$9,688.	Found cost recovery in payroll, insurance, budget transfer, 3rd party labor rate, change orders, and sales tax on dumpsters.	No action is required. All amounts were either recovered or avoided.	Wesson	Immediately
<b>TAC 202 Compliance – Quarterly Update (25-007A)</b>	1.	4 more controls are implemented.			
<b>FY 2024 Perkins Desk Review by THECB</b>	1. Improve stakeholder engagement.	Regularly update the stakeholder mapping process; establish structured mechanisms (e.g., surveys, focus groups) to continuously gather and integrate stakeholder input; Organize periodic forums to foster collaboration and relationship-building; leverage technology to engage stakeholders who may face barriers to in-person participation; maintain transparent communication about the impacts of stakeholder contributions and publicly acknowledge their involvement.	1.1 Stakeholder surveys will be established.	Reily	4/1/25
	2. Enhance the improvement plan.	Implement surveys to track student progress; establish timelines for evaluating the plan; provide continuous training for faculty; use online platforms to enhance teaching methods; set key performance indicators.	Develop a campus needs dashboard.	Reily	4/1/25

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr. Mgr	Expect. Complete Date
	3. Improve services to special populations	Increase transportation support; diversify the lending library to include digital resources; offer subsidized childcare; establish peer mentoring for struggling students; conduct surveys to identify evolving needs.	Serve and additional 10% of students, and increase digital resources.	Reily	4/1/25
<b>Post-Payment Audit by the Texas Comptroller of Public Accounts</b>	1. Some payroll transactions did not comply Comptroller Requirements.	Identified 6 instances where lump some payments for accrued vacation time were incorrectly calculated.	HR Generalists will process the calculation sheets for Holiday Payouts, with payroll validating the information.	Sill	3/1/25
		One employee did not have adequate documentation to support an amount paid in the form of a bonus.	Approvals and supporting documentation will reside in Workday.	Sill	3/1/25
		Bonus paid using State appropriated funds are limited to \$100 for each employee.	Allowable use of funding source will be validated going forward.	Motwani	Immediately
		Longevity, hazardous duty, and other special pay was not used when calculating overtime.	Underpayments to specific employees will be corrected. And Workday will be changed to include special pay in overtime calculations.	Hykel	3/31/25
		Missing dual employment notification forms for 11 employees.	Procedures are being written, and forms and assessment processes added to Workday.	Sill	3/31/25
	2. Four purchase transactions and 11 payment card transactions were missing compliance verifications.	Documentation evidencing warrant hold checks were performed was missing for 11 payment card transactions. Similarly, Office of Foreign Asset Control checks were not performed on 4 purchase transactions.	PaymentWorks is used for vendor onboarding that monitors pre-purchase transactions. Continue training for p-card holders.	Motwani	Immediately
		Two payments were paid late, with not interest being paid.	Procedures have been updated to prevent recurrence.	Motwani	Immediately

Texas State Technical College  
Internal Audit  
Follow Up Schedule & Status

Completion Summary			
	12/31/24	3/31/25	Audits cleared from (Added to) Schedule
Audits from FY 2023	3	3	0
Audits from FY 2024	5	5	0
Audits from FY 2025	5	8	(3)
<b>Net Total</b>	13	16	(3)

**Highlights:**

Internal Network Penetration Test - Fort Bend (25-013A): One task was completed.
Internal Network Penetration Test - North Texas (25-011A): All corrective action was completed.
Internal Network Penetration Test - New Braunfels (25-012A): All corrective action was completed.
CRIMES Software Audit (24-019A): 4 outstanding controls were implemented.
Clery Audit (25-003A): 2 tasks were completed.
Travel Expense Audit (25-010A): All corrective action was completed.

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
<b>T Drive Audit (23-012A), McKee</b>	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.	1.2 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>Substantially Complete:</b> Progress is being made, but not yet completed. 9/27/24 - This will clear once a table top exercise is performed. On 12/11/24, we verified the current expected completion date.	This testing will be moved into our Disaster Recovery plan and Testing, which is under the IT General controls section of this document. Update: As of 3/19/25, we are preparing for the table top exercise for a few systems.	8/31/25
<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.  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> Budgeting still needs to be looked at and software for mobile device management still needs to be researched. On 12/11/24, we verified the current expected completion date.  <b>Ongoing:</b> Progress is being made, but not yet completed. 9/27/24 - This will clear once a table top exercise is performed. On 12/11/24, we verified the current expected completion date.	As of 3/19/25 is being discussed with leadership.  Currently reviewing DR Plan and Recovery Procedures. The testing dates could change depending on how long it take to update the documentation. Update: As of 3/19/25, we are preparing for the table top exercise for a few systems.	12/1/26  8/31/25

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
Payroll and Benefits Proportionality Audit (23-019A), Sill, Motwani	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.	<b>Ongoing:</b> On 12/10/24 we verified a solution in Workday was still pending. Accounting will prioritize finding a solution for this in 2025.		<del>12/31/2024</del> 3/31/2025
PCI Audit (24-002A), McKee, Franke	1. Twenty four of the 103 applicable controls we tested require attention. Primarily, those controls required better documentation. But, we did identify opportunities to improve anti-virus software implementation, multi-factor authentication, and the incident response plan.	1.1 Documentation and processes will be created to address the findings.	<b>Ongoing:</b> Verified on 12/11/24 that the revised completion date is 12/31/2025. At 3/19/25, the expected completion date was still on track.		<del>12/31/2024</del> 12/31/2025
Safety & Security Audit (24-007A), Various Managers	1. There are safety processes and issues throughout the College that need to be improved.	1.1 All corrective actions will be implemented no later than August 31, 2024. Those will include improvements in monitoring of various processes, improved documentation and frequency of self-inspections, updated evacuation routes, more frequent performance of fire drills, and other necessary improvements to address the specific observations listed above.	<b>Pending Verification:</b> Improvements have been made to clear issues identified by external inspection, enhance accident reporting, and test elevator call boxes. Still need to work on updating evacuation routes, improving inspection frequency at some campuses, fire drills. More testing of other issues will occur over the next 6 months.		8/31/24

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
Procurement Card Program Audit (24-018A), Chavira	1. While internal controls are well designed, some are not being consistently applied.	1.1 Enhance financial controls by implementing monthly reconciliation of procurement cards, improving cardholder training, establishing a timely card cancellation process, and monitoring spending patterns. Additionally, Procurement Services is developing a policy related to business meals, official functions and entertainment-like expenditures directly related to or associated with the active conduct of official TSTC business. Procurement card guidelines have already been updated and communicated to current cardholders.	<b>Substantially Complete:</b> At 12/13/2024, verified various enhancements were made. Still need to improve vendor holds, and progress with automating card limits (there is a project outstanding with OIT).		<del>10/31/2024</del> 02/28/2025
<b>CRIMES</b> Software Audit (24-019A), Becerra	1. We identified 13 of the 48 required TAC 202 controls managed by College personnel that either need to be implemented, or enhanced. Additionally, we were unable to test 15 of the 48 controls because the vendor failed to provide necessary information.	1.1 We will facilitate a meeting between the vendor and OIT personnel to help get a full understanding of those TAC 202 controls that could not be tested during the audit. If the answers are unsatisfactory, we will pursue another solution in which security can be fully verified. We will also request OIT take over the administration of the software, comparable to other software utilized by the college.	<b>Ongoing:</b> Verified on 12/11/2024 progress is being made, but work is not yet complete. As of 3/25/25, 4 more controls were verified as implemented.		<del>12/4/2024</del> 1/30/2025



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
Fleet Management Audit (24-025A), Sondermann	1. Some controls used to effectively manage the fleet are not operating.	1.1 Driver eligibility, accident process, GPS Tracking, and fuel monitoring will be enhanced.	Ongoing		1/31/25
	2. Vehicles labeled as educational are generally not subject to the same controls applied to fleet vehicles, even though some are being used like fleet vehicles.	2.1 Will partner with Property Management to identify the use of current educational vehicles, and explore ways to manage them.	Ongoing: At 12/10/24, verified that non-fleet vehicles have been identified, and a google form was sent to the asset stewards to determine the actual use of the vehicle. Work is also being done with Agile Fleet to determine whether all vehicles can be added to the system. A comparison of insurance coverage is also taking place.		11/1/24
		2.2 Work with Procurement to streamline a workflow for new vehicles.	Ongoing		1/31/25
Internal Network Penetration Test - Fort Bend (25-013A), Bowles, McKee	1. There are isolated opportunities to improve physical security in some areas, and to restrict the internal network. We also identified 2 employees who needed to complete training.	1.1 Training will be conducted by the start of the Spring 2025 semester.	Ongoing: At 3/19/, 2 employees were still needing to complete their training. Campus leadership is following up to ensure that training is completed.		1/31/25

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
Compliance Audit of Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (25-003A), Kubitza	1. Some administrative requirements were not fully met when the 2024 Annual Security Report and Annual Fire Safety Report were first issued on October 1.	1.3 Our process will include regular consultations with Campus Management, Facilities personnel, and Legal Counsel to account for newly acquired properties and jurisdictional changes as the College continues to grow. All properties will be thoroughly reviewed during report preparation to ensure requests to external law enforcement agencies cover all relevant public property. We anticipate full implementation of this procedure by March 1, 2025.	<b>Ongoing</b> - Lead indicated that the action related to verifying all covered property would be completed by July.		<del>3/4/2025</del> , 7/1/2025
<b>Workforce Training Audit (25-006A), Bowen</b>	1. Administrative procedures related to access, hiring, pay, and course scheduling should be improved.	1.1 Remove inappropriate access to Colleague. 1.2 Utilize faculty orientation, clarify manual processes, and review faculty service agreements. 1.3 Clarify the operating manual surrounding temporary teaching roles for accelerated training, email distribution lists for opportunities, and implement a tracking system for applicants that would like to teach.	<b>Ongoing</b>		3/31/25
			<b>Ongoing</b>		3/31/25
			<b>Ongoing</b>		3/31/25

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
2.	Financial transactions and financial performance monitoring should be enhanced.	2.1 Meet on a monthly basis to collectively review recent activity, as opposed to regular individual review. Initial communication to outstanding balances will be performed by the Accounting team, with supporting communication for unsatisfied invoices beyond 90 days to be supported by the Workforce Training and Continuing Education department, assigned to the departmental teammate with the most regular contact with the invoice recipient.	Ongoing		5/31/25

Investigation of an Advocacy Resource Center (ARC) Award (25-0231), Clinton-Solis	1. An award of ARC funds was inappropriate.	1.1 Improve the Request for Support form, the intake process and documentation requirements, and create guidelines and scenarios around the appropriate use of funds. This will include the consideration of the student's academic standing, conduct, graduation date, and financial aid package. The process for allocating Helpings Hands funds by campus, requirements for the various funding sources and the escalation and additional approvals for disbursement will be reviewed and agreed upon in partnership with the TSTC Foundation. ARC staff will receive training on all existing and updated protocols once a semester and randomly audit cases weekly.	Ongoing		6/30/25
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Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.2 An acknowledgment statement has been added to the Request for Support form to make it clear that every student who is requesting assistance certifies that they are providing factual information to ARC, and any evidence to the contrary could result in termination of or disqualification from any services or support they are eligible for. Additionally, they will be held responsible for repaying any funds or services provided to them if it is found that they have provided false or misleading information.	Ongoing		6/30/25
FY 2024 Perkins Desk Review by THECB, Reily	1. Improve stakeholder engagement.	1.1 Stakeholder surveys will be established.	Ongoing		4/1/25
	2. Enhance the improvement plan.	2.1 Develop a campus needs dashboard.	Ongoing		4/1/25
	3. Improve services to special populations	3.1 Serve and additional 10% of students, and increase digital resources.	Ongoing		4/1/25
Post-Payment Audit by the Texas Comptroller of Public Accounts, Motwani, Sill,	1. Some payroll transactions did not comply Comptroller Requirements.	1.1 HR Generalists will process the calculation sheets for Holiday Payouts, with payroll validating the information.	Pending Verification		3/1/25
		1.2 Approvals and supporting documentation will reside in Workday.	Pending Verification		3/1/25

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.3 Allowable use of funding source will be validated going forward.	Pending Verification		Immediately
		1.4 Underpayments to specific employees will be corrected. And Workday will be changed to include special pay in overtime calculations.	Pending Verification		3/31/25
		1.5 Procedures are being written, and forms and assessment processes added to Workday.	Pending Verification		3/31/25
	2. Four purchase transactions and 11 payment card transactions were missing compliance verifications.	2.1 PaymentWorks is used for vendor onboarding that monitors pre-purchase transactions. Continue training for p-card holders.	Pending Verification		Immediately
3rd Quarter Attestation Report, Flanagan	1. Two student in EMS did not complete 25% of their instruction from TSTC.	1.1 Require the student who has not graduated yet to take a course in the summer semester. That course will be paid using a scholarship.	Ongoing		6/1/25
		1.2 Report the matter to SASCOC.	Ongoing		4/30/25
Investigation of Financial Aid Fraud (25-0331), Stuart- Carruthers, Harvey, Medrano	1. Six instances of fraud were confirmed.	1.1 For any individuals flagged as high risk during the application process, the Enrollment Department will require a valid picture ID before allowing registration. Self-audits will be conducted during registration periods in which high-risk applications have registered to ensure IDs are obtained.	Ongoing		4/15/25

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		1.2 Revoked all access to the College systems granted to the fraudster(s). We will continue that action if other attacks are identified. We will also work closely with the Enrollment team to seek automated solutions or best practices to identify similar risks.	Ongoing		Immediate
		1.3 Immediately stopped giving by phone temporary access codes for BankMobile. We are also working with BankMobile on a new Identity Verification Contract called Know Your Customer. Also, we immediately started to require additional documentation from the students before setting up a BankMobile account.	Ongoing		4/30/25

**Internal Audit Department**

**Audit Report**

**Workforce Training Audit (25-006A)**

**February 24, 2025**

**This audit was conducted in accordance with the  
*Global Internal Audit Standards*  
of the Institute of Internal Auditors**

## Executive Summary

We have recently completed an audit of Workforce Training. All activities and processes during fiscal year 2024 were within the scope of this audit. The objective of the audit was to verify select operational, financial and accounting, and compliance objectives. Our tests and results are summarized below.

Test	Results
<b>Financial &amp; Accounting</b>	
Revenue is recorded timely and accurately.	Revenue is properly stated.
Bills to customers are accurate and timely.	Bills are correct.
Outstanding accounts receivable are collected timely.	The majority are collected within 90 days, but we identified 18% are over 90 days old. <b>See finding #2.</b>
Workforce Training operates at a profit.	We determined for fiscal year 2024 the activity had a net profit of \$1,338,288. This is significant because it has operated at a deficit when examined in prior audits. But, there is an opportunity to better monitor financial status. <b>See finding #2.</b>
<b>Operational</b>	
Training volume is reasonable when compared to staff expenses.	Staff expenses for fiscal year 2024 were 34% of revenue earned for training, or \$1,167,515 of \$3,397,567.
Courses are created by authorized personnel to help control quality.	Only 4 authorized people create courses in Curriculum.
Attendance records for students are accurate and maintained.	Sign-in sheets are in place and accurate. This has been an issue in prior audits.
Schedules for instructors teaching courses do not conflict with courses taught for credit.	Overall, schedules are managed to limit conflicts. We did identify an opportunity to enhance processes. <b>See finding #1.</b>
Salaries paid to instructors are reasonable.	There is an approved rate schedule being used. There is an opportunity to enhance processes. <b>See finding #1.</b>
The hiring process is fair and unbiased.	There is a defined process for hiring full-time instructors to teach both Workforce and For-credit courses. The process for hiring instructors temporarily who already teach For-credit courses can be improved. <b>See finding #1.</b>
Workforce Training efforts are elevating the awareness of TSTC's value to employers.	In fiscal year 2024, 2,901 students and 41 different companies were served. 541 classes were taught in 32 different subjects.
<b>Compliance</b>	
Purchases are legitimate, and follows policy.	Purchases were legitimate, and followed policy.



Employee travel is legitimate, and follows College policy.	Employee travel was legitimate, and followed policy.
Assets assigned to employees are accounted for.	Assets were tagged and easily located.
Access to information systems is restricted.	Access to Rolutions was appropriate. Access to Colleague should be improved, and a solution to transition away from it needs to be found due to the implementation of Workday. <b>See finding #1.</b>

Overall, we determined Workforce Training provided value to the College and Texas employers by offering focused, short-term courses for specific skills. The activity continues to utilize various grants to operate as it has in the past. There is a focus on cost control and revenue generation, as evidenced by the net profit we noted. Overall, the objectives we tested indicate the activity is operating effectively and efficiently, following established policies, and managing costs.

We identified 2 general areas where improvements should be focused. Finding #1 details opportunities to improve administrative type of controls, such as access to information systems, hiring processes, pay, and course scheduling. Finding #2 identifies opportunities to address select financial and accounting processes, especially in collecting accounts receivable and monitoring financial activity.

## Introduction

Workforce Training (“Department”) has a stated mission “to provide workforce training and continuing education courses to the general public and to provide customized training for business, industry, or external agencies in order to serve the State of Texas by developing a highly skilled workforce.” Classes generally are not applied to a degree or certificate program, but teach meaningful skills that can be applied quickly. In fiscal year 2024, 2,901 students and 41 different companies were served. A profit of \$1,388,288 was earned.

The Department is in the External Relations Division, under the responsibility of the Vice Chancellor of External Relations. Day to day operations are managed by a Vice President of Workforce Training. Within the Department, there are 3 Senior Managers, a Senior Project Lead, 3 Project Leads, 2 Managers and 11 trainers. The Department also relies upon other departments. These other departments include Workforce Partnership and Initiatives who hire and assign available instructors to train, Curriculum who sets up course sections, Student Accounting who bills and collects accounts receivable, and Grant Accounting who assists with grant related matters.

## Objectives

The objective of the audit was to ensure operational processes within the Department are operating effectively and efficiently, as well as having a healthy financial outlook. Select compliance objectives were also tested.

## Scope & Methodology

The scope of our audit included controls and processes in fiscal year 2024. This included processes related to course delivery, billing and collection, and stewardship over resources. To accomplish our objectives, related processes for a sample of courses taught were tested.

### **Positive Observations**

Departmental staff and supporting departments were responsive to our requests for information during this audit. The Department is eager to improve their processes. They earned a \$1,388,288 profit in fiscal year 2024. Compared to previous audits we conducted there seems to be a unified vision for the Department and its role in serving Texas employers. The activities of the Department are not factored into formula funding by the State, so the ability to achieve its mission while earning a profit demonstrates the awareness by management to operate efficiently.

### **Summary of Finding**

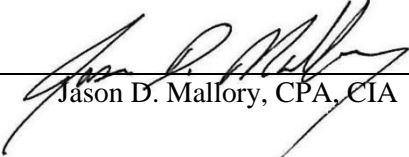
1. Administrative procedures related to access, hiring, pay, and course scheduling should be improved.
2. Financial transactions and financial performance monitoring should be enhanced.

### **Opinion**

Based on the audit work performed, Workforce Training operates effectively and efficiently to achieve its responsibilities. Policies related to asset, purchasing, and travel are complied with. And, there are processes for ensuring activities are properly reflected in financial records. There are opportunities to improve in certain areas, though. Those are detailed in findings #1 and #2.

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

February 24, 2025  
\_\_\_\_\_  
Date

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## **AUDIT FINDING DETAIL**

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Finding #1: Administrative procedures related to access, hiring, pay, and course scheduling should be improved.
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**Criterion:** We reviewed procedures related to access to information, and hiring practices for faculty. We also tested course schedules of instructors who taught both Workforce Training courses and For-credit courses to verify scheduling conflicts were not present.

### **Access**

We determined that Workforce Training is still relying upon Colleague to process their course related transactions. We were informed that they are searching for a solution to replace Colleague since licensing of that system will end in the near future and Workday cannot currently meet their unique needs.

We identified several people with access to Colleague who had rights that they either did not need, or presented a segregation of duty conflict.

### **Hiring and Pay of Full-time Faculty for Temporary Roles**

Temporarily hiring For-credit instructors to teach Workforce Training courses relies on Department staff approaching select qualified instructors. There does not seem to be a formal process where opportunities are posted for every qualified instructor to apply. This creates an opportunity for bias in the hiring process in which only certain individuals are afforded those opportunities which come with additional pay.

We also identified an opportunity to improve the control related to instructor pay. Currently, rates of pay for individual courses are based on a tier system. Of the 58 instructors we tested, we identified 10 instances in which the pay did not follow that tier system. Interestingly, most of the actual pay was lower than the amount specified in the respective tier schedule. This indicates some other criteria that was not documented was used in these cases

### **Course Scheduling**

We reviewed the course schedules for 25 instructors who taught both Workforce Training courses and regular For-credit courses. We attempted to verify the course schedules did not conflict. We identified 8 instructors who had at least one conflict on their schedules. For each, we inquired about documentation evidencing the conflicts were managed to not interrupt services to any of the students. While we do not feel students were neglected, the lack of a formal process and related documentation to evidence these conflicts are actively managed needs attention.

**Consequences:** Enhanced risks of errors, unfounded bias, and students being neglected.

### **Recommendations:**

- Either identify a way for Workday to be used for Workforce Training, or find another reliable, cost-effective solution.
- Remove all unnecessary access to Colleague until that solution is implemented.

- Implement a formal hiring process for instructors that ensures fairness and transparency in hiring.
- For pay, either follow the approved tier schedule, or have deviations explained and approved by an authorized person.
- Implement a process where course scheduling conflicts are explained and approved by an authorized manager.

### **Management Response**

#### **Access:**

Management of the Workforce Training and Continuing Education department agrees with the observations made in the audit. Current Colleague usage was the result of lack of course spanning options in Student Workday. By March 31, 2025, the External Relations division will ensure that inappropriate access levels are rectified. Kori Bowen will be responsible for ensuring that this is performed.

#### **Hiring and Pay for Temporary Roles:**

The Strategic Collaboration and Resource Management (SCRM) department agrees with the audit's observations. The deficiency regarding the scheduling conflicts resulted from a combination of factors, including workforce courses remaining on schedules after class cancellations, the assignment of multiple instructors of record to ensure workforce courses were covered without conflicting with credit courses, and missed credit schedules due to the lack of a formal process and related documentation to manage conflicts actively. By March 31, 2025, corrective actions will be implemented to address this issue, including utilizing faculty orientation, clarify manual processes, and review faculty service agreements. The solution will be measured by regularly auditing instructor schedules and tracking written approvals to ensure compliance. The SCRM team will review these measures quarterly to ensure continued compliance. Sherry Howard, Vice President of Strategic Collaboration and Resource Management, will be responsible for implementing this corrective action plan.

#### **Course Scheduling:**

The Strategic Collaboration and Resource Management (SCRM) department agrees with the observations made in the audit. The deficiency regarding the lack of a formal process for offering full-time faculty temporary teaching roles in Workforce Training could create the opportunity for favoritism, or the perception of it. By March 31, 2025, corrective actions will be implemented to address this issue, including clarity in the operating manual surrounding temporary teaching roles for accelerated training, email distribution lists for opportunities, and implementation of a tracking system for applicants that would like to teach. The endurance of this solution will be measured by periodic reviews of the hiring and assignment process, which the SCRM team will conduct quarterly to ensure adherence to the new procedures and maintain fairness and transparency. Sherry Howard, Vice President of Strategic Collaboration and Resource Management, will be responsible for the implementation of this corrective action plan.

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## **AUDIT FINDING DETAIL**

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**Finding #2:** Financial transactions and financial performance monitoring should be enhanced.

**Criterion:** We reviewed billing, collections of accounts receivable, and the financial performance of Workforce Training. We reviewed the timeliness and accuracy of bills that were sent to customers, as well as the collection efforts on outstanding receivables. We also reviewed the financial performance of Workforce Training to determine whether it operated at a net profit or loss.

We determined that over \$142 thousand in accounts receivables were over 90 days old. This represented 18% of all receivables at the time of our testing. We also identified a \$198 thousand receivable from another State agency which was evidently erroneously classified as a Workforce Training receivable that has been outstanding since May 2022.

In an attempt to understand the financial performance of Workforce Training, we determined that the department compiles information. We commend them for their efforts, however, we determined the information is not always accurate and complete. We were able to compile it for the fiscal year with assistance from Finance personnel. The results indicated a \$1.4 million profit for fiscal year. Reviewing monthly reports would assist with decision making.

**Consequences:** Increased risk of amounts owed to the College being uncollected, and decreased insight on financial performance when making decisions.

**Recommendations:**

- Enhance collection efforts.
- Develop specific financial reports for the activity for management to use.

### **Management Response**

Management of the Workforce Training and Continuing Education department agrees with the observations made in the audit. Delayed or inaccurate customer billing was the result of lack of regular tracking communication between the Workforce Training and Continuing Education department and the Accounting department. By May 31, 2025 these cross-divisional teammates will meet on a monthly basis to collectively review recent activity, as opposed to regular individual review. Initial communication to outstanding balances will be performed by the Accounting team, with supporting communication for unsatisfied invoices beyond 90 days to be supported by the Workforce Training and Continuing Education department, assigned to the departmental teammate with the most regular contact with the invoice recipient. Michael Smith and Jan Harvey will be responsible for the implementation of this corrective action plan.

# Final Construction Audit Report

## Texas State Technical College

### Construction Manager at Risk – Imperial Construction, Inc.

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#### JB Connally 1<sup>st</sup> & 2<sup>nd</sup> Floor Renovations



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#### Construction Audit Report Submitted By:

**R. L. Townsend & Associates, LLC**  
**PO # 10008213**

**February 24, 2025**

*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, Texas State Technical College (TSTC) engaged R. L. Townsend & Associates to perform a review of the contract and billing records associated with the JB Connally 1<sup>st</sup> & 2<sup>nd</sup> Floor Renovations project.

The first-floor renovation consisted of a Welcome Center to TSTC students and customers. The second floor included updates to offices and conference rooms. In addition, the auditorium was converted into a Multi-Functioned Event Center.

Imperial Construction, Inc. (Imperial) was contracted for services under a Construction Manager at Risk agreement.

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 March 30, 2023, and included a review of labor, materials, equipment, subcontracts, and change orders.

### ***Summary of Final GMP as of Payment Application #22 through December 31,2024***

Document	Pre-Con	General Conditions	General Liability Ins	Builders Risk Ins	P&P Bond	COW	Construction Phase Fee	ICI Contingency	Owner's Contingency	Total Construction
Contract	\$ 17,500									\$ 17,500
Amendment 1 - Pre-Construction Increase	\$ 8,000									\$ 8,000
Amendment 2 - GMP		\$ 414,400	\$ 57,574	\$ 31,290	\$ 120,154	\$ 11,229,556	\$ 481,385	\$ 361,039	\$ 300,000	\$ 12,995,398
Amendment 3 - OCO #1 - Reduced Contract						\$ (208,281)		\$ (56,720)	\$ (200,000)	\$ (465,000)
Amendment 4 - OCO #2 - Owner Contingency Add Back		\$ 581,600	\$ 1,017	\$ 554	\$ 2,123	\$ (600,777)	\$ 8,847	\$ 6,636	\$ 360,000	\$ 360,000
Amendment 5 - Extended Term of Agreement 6/10/24 PCO 18, 20, 21, 22, 25, 29, 31 - COW						\$ 305,518			\$ (305,518)	\$ -
Amendment 6 - Extended Term of Agreement 9/15/24 PCO 32 Signage						\$ 39,089			\$ (39,089)	\$ -
PCO 34 - Extended GCs due to Extended Term of Agreement		\$ 34,469							\$ (34,469)	\$ -
PCO 36 - Extended Insurance Cost due to Extended Term of Agreement			\$ 16,740	\$ 9,098					\$ (25,839)	\$ -
Amendment 7 - Extended Term of Agreement 12/31/24 PCO 38		\$ 19,963	\$ 14,648	\$ 7,961		\$ 51,154		\$ (958)	\$ (92,768)	\$ -
PCO's						\$ 368,635		\$ (250,000)	\$ (118,635)	\$ -
ICO's						\$ (136,347)		\$ (33,526)	\$ 169,873	\$ -
Budget Transfers 1-23		\$ (114,398)				\$ 96,344		\$ (26,472)	\$ 44,526	\$ -
Final Deductive Change Order			\$ (31,388)	\$ (8,270)		\$ (348)			\$ (58,081)	\$ (98,087)
<b>Total GMP</b>	<b>\$ 25,500</b>	<b>\$ 936,034</b>	<b>\$ 58,591</b>	<b>\$ 40,633</b>	<b>\$ 122,277</b>	<b>\$ 11,144,544</b>	<b>\$ 490,232</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,817,811</b>
Total Billed										
Final Payment Application #22, 12/31/2024										\$ 12,817,811

### ***Conclusions***

As a result of the audit, TSTC realized savings of \$101,587 and avoided costs of \$9,688.

TSTC and Imperial representatives were very responsive and helpful throughout the course of this audit.

The summary of the final GMP is shown above. The final payment application is in process, and upon approval, this report will be finalized. PCOs 39 and 40 are to be included in the final payment application.

During the initial payment application review, it was noted that sales tax was charged on dumpster rentals. In the State of Texas, non-profit organizations are exempt from sales tax on dumpster service. Imperial corrected the issue with the vendor for the remainder of the project avoiding an additional cost of \$2,008. \$904 of sales tax was billed; however, Imperial was not able to recoup this amount and due to the difficulty of the process and dollar amount, TSTC did not pursue.

### ***Recommendation***

The GMP included fixed rates for P&P Bonds and Insurance. TSTC may want to consider not allowing fixed rates. Specifically, the P&P Bond was a fixed rate of 0.96% of the contract sum. The actual bond cost can be verified by invoice, and at the fixed rate percentage, likely had an associated dividend or rebate that would have been due to TSTC.



### **AUDIT DISCUSSION ITEMS**

The following chart shows amounts billed which did not comply with the terms of the contract.

<b>Note</b>	<b>Description</b>	<b>Status</b>	<b>Audit Credit</b>	<b>Credit Realized</b>
1	General Conditions Payroll	Agreed	\$ 31,810	PA 7
2	Additional Project Insurance	Agreed	\$ 39,658	PCO 40
3	BT 23 - Project Reconciliation	Agreed	\$ 348	PCO 40
4	3rd Party Labor Rate	Agreed	\$ 980	PA 8/PA 9
5	DMG Masonry - Change Order OH&P	Agreed	\$ 1,187	PCO 24/PA 15
6	Lochridge - Mechanical & Plumbing - Markup	Agreed	\$ 9,989	PCO 24/PA 15 PCO 39
7	Lochridge - Electrical - Markup	Agreed	\$ 13,091	PCO 39
8	Lonestar Ironworks	Agreed	\$ 4,524	PCO 24/PA 15
	<b>Total Audit Credits</b>		<b>\$ 101,587</b>	
	<b>Total Cost Avoidance</b>		<b>\$ 9,688</b>	
	<b>Total Audit Findings</b>		<b>\$ 111,275</b>	

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

## **AUDIT NOTES**

### **1. General Conditions Payroll**

During the initial audit review, general conditions backup was requested for Payment Applications 1 – 6. Imperial provided the backup and discovered that a Superintendent not assigned to the project had been billed in error.

Based on a final reconciliation of labor cost the overbilling was found to be \$31,810.

Imperial provided all requested documentation to support the general conditions payroll billings through the final payment application. There was no further audit exception noted. Payroll billing rates were also reviewed and agreed to with no exceptions.

**Status:** Issue Closed. \$31,810 was credited in Payment Application 7.

### **2. PCO's 36 & 38 – Additional Project Insurance**

Due to the time extension of the contract, Imperial billed additional Project Insurances. The GMP included fixed rates for Builder's Risk Insurance (0.25%) and General Liability Insurance (0.46%) that were to be based on the total contract sum. The time extension of the contract did not include an increase in the GMP amount.

Upon review, Imperial determined the time extension of the contract did not increase the cost of General Liability Insurance. Invoices were provided to determine the actual cost of Builder's Risk Insurance. The final deductive change order to the project included the credits as shown below:

	GL	BR
PCO 36	\$ 16,740	\$ 9,098
PCO 38	\$ 14,648	\$ 7,961
<b>Total</b>	<b>\$ 31,388</b>	<b>\$ 17,059</b>

<b>PCO 40</b>	<b>\$ (31,388)</b>	<b>\$ (8,270)</b>
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**Status:** Issue closed. \$39,658 was credited to the project in PCO 40 to be processed in the Final Payment Application.

### **3. Budget Transfer 23 – Final Reconciliation**

Budget Transfer 23 was issued for the final reconciliation of the project. There was a \$348 balance of the budget transfer that should be applied to Owner's Contingency to reconcile the project.

**Status:** Issue closed. \$348 was credited to the project in PCO 40 to be processed in the Final Payment Application.

### **4. People Ready – 3<sup>rd</sup> Party Labor Rate**

The GMP identified a labor rate of \$44 per hour for the Construction Manager's own Laborer. During the initial audit review, two People Ready invoices for clean-up labor were noted to be marked up to the GMP labor rate of \$44 per hour. Imperial agreed to bill the 3<sup>rd</sup> Party Labor at actual cost and issued a credit of \$980.

**Status:** Issue closed. \$327 was credited to the project in Payment Application 8, and \$653 was credited to the project in Payment Application 9.

### **5. DMG Masonry – Change Order OH&P**

In accordance with the contract, Change Order OH&P was to be billed at 10% of the change order subtotal.

Initial DMG change orders included an additional 5% OH&P to the change order total resulting in an overbilling of \$1,187.

**Status:** Issue closed. \$1,187 was credited to the project in PCO 24/Payment Application 15.

### **6. Lochridge-Priest (Mechanical & Plumbing) – Change Order Review**

Lochridge-Priest billed items in change orders that are covered by OH&P markup: supervision, clean up, small tools, misc. material, and warranty.

These items resulted in a total overbilling of \$9,989.

**Status:** Issue closed. \$9,524 was credited to the project in PCO 24/Payment Application 15. An additional \$465 was credited in PCO 39 to be processed in the Final Payment Application.

**7. Lochridge-Priest (Electrical) – Change Order Review**

Lochridge-Priest billed items in change orders that are covered by OH&P markup: supervision, clean up, small tools, misc. material, and warranty.

These items resulted in a total overbilling of \$13,091.

**Status:** Issue closed. \$13,091 was credited to the project in PCO 39 to be processed in the Final Payment Application.

**8. Lonestar Ironworks – Change Order Review**

In accordance with the contract, Change Order OH&P was to be billed at 10% of the change order subtotal. Lonestar Ironworks billed OH&P at a higher rate, and in addition, marked up the change orders with insurance.

The excess OH&P and insurance resulted in an overbilling of \$4,524.

**Status:** Issue closed. \$4,524 was credited to the project in PCO 24/Payment Application 15.

**9. Cost Avoidance**

In collaborative effort with TSTC and Imperial representatives to resolve audit questions, costs were avoided as shown below:

Note	Cost Avoidance	Amount
4	Sales Tax on Dumpsters	\$ 2,008
5	3rd Party Labor Rate	\$ 5,796
6	DMG Masonry - Change Order OH&P	\$ 1,884
	<b>Total Cost Avoidance</b>	<b>\$ 9,688</b>

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

May 2025

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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: March 31, 2025

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 conducted since 2017. Annually, the list of audits of systems will increase as we continue to audit. Each quarter we test select controls which were previously not implemented. From January 1 through March 31, 2025, 4 outstanding controls were implemented for the CRIMES software. There are currently 27 controls from past audits 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 <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

**T Drive**

Original Audit: March 17, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2025 – March 2025	40	0	1	0	41
October 2024 – December 2024	40	0	1	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
January 2025 – March 2025	24	6	3	1	34
October 2024 – December 2024	24	6	3	1	34
Difference	0	0	0	0	

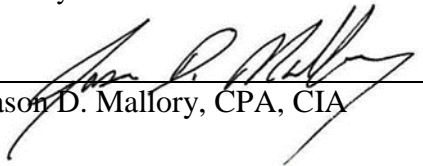
**Note 4:** In Note 1 for the General Controls Audit conducted in FY 2017, management elected to not fully implement CM-11 related to end-user installed software. They feel compensating controls such as malware and the ability to restrict specific downloads from the internet assist with mitigating associated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

**CRIMES**

Original Audit: March 17, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2025 – March 2025	24	1	23	0	48
October 2024 – December 2024	20	1	27	0	48
Difference	4	0	-4	0	

Submitted by:

  
 Jason D. Mallory, CPA, CIA

March 31, 2025

Date

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





**Date:** February 20, 2024

**To:** Mike Reeser, MBA, Chancellor  
Cindy Reily, Associate Vice President

**From:** Dr. Audra Patridge, Texas Higher Education Coordinating Board

**Subject:** FY2024 Perkins Desk Review Report

Dear Chancellor Reeser,

Following the recent programmatic review of your institution's Career and Technical Education (CTE) programs under Perkins V, we are writing to provide you with the summary of our findings, recommendations for improvement, and space for any responses from your institution.

### **Summary of Findings**

Our evaluation utilized the Perkins V self-assessment scoring matrix, resulting in an overall score of 295 out of 325. Based on the overall score Texas State Technical College (TSTC) received an **Exceptional Rating**. The breakdown of findings across key sections is as follows:

#### **1. Stakeholder Engagement (Score: 25/30):**

Stakeholder engagement documentation was robust, demonstrating diverse representation.

#### **2. Continuous Improvement (Score: 50/55):**

Texas State Technical College (TSTC) successfully achieved their core indicator targets for 1P1 and 2P1 but fell short of the target for 3P1. To address this, TSTC has developed a plan to reach their 3P1 goals in the future, which includes identifying key CTE programs and activities, specifying budget allocations, and implementing an evaluation strategy to track progress toward this core indicator. For example, TSTC actively recruits special population students/non-traditional students through events such as the annual Women in Technology event. Additionally, strategically targeted program faculty and staff will receive training on recruitment and retention of non-traditional students through the National Institute for Women in Trades, Technology and Science (IWITTS), and other organizations, for training that is intended to help improve awareness about and interaction with nontraditional students.

#### **3. Required Use of Funds (Score: 164/180):**

Requirement 1: Provided multiple initiatives outlined significantly enhancing student engagement through career exploration and guidance activities.

Requirement 2: Provided clear details of effective professional development activities and evaluation processes.

Requirement 3: Provided clear examples of funding impact on skills and improvements for enhancement of technical skill attainment.

Requirement 4: Provided clear examples of student surveys outlining what students learned based on the integration of academic and technical skills.

Requirement 5: Provided clear descriptions of effective program implementation aligned with needs.

Requirement 6: Perkins funds were not used to develop and implement an evaluation of activities.

#### **4. Special Populations (Score: 56/60):**

The Advocacy & Resource Center at TSTC has demonstrated significant support for special population students through a range of services, including transportation assistance, a lending library, and childcare assistance.

Transportation Assistance: In FY23-24, the center provided transportation support to 186 unduplicated students. Remarkably, participants in this program achieved an average GPA of 3.29, compared to the overall average GPA of 2.47 for TSTC students.

Lending Library: The lending library assisted 445 unduplicated students during the same period. Students utilizing this resource also performed better academically, with an average GPA of 2.8, above the institution's average.

Child Care Assistance: This program served 13 unduplicated students, who attained an average GPA of 3.3, further showcasing the positive impact of support services on student academic performance.

Persistence Rates: The average persistence rate for TSTC students was 76.1%, but students receiving assistance from the Advocacy & Resource Center boasted a significantly higher persistence rate of 90.6%.

Marketing Efforts: To promote these services, the Advocacy & Resource Center employed various creative marketing strategies, including a YouTube video, printed materials, and interactive events to engage directly with students and raise awareness of available support.

Women in Technology Initiative: In August 2024, the center collaborated with Megan Hanson, Perkins Non-Traditional Specialist, to host a Women in Technology Workshop aimed at encouraging female students to enroll in non-traditional programs and celebrating those already participating.

Comprehensive Local Needs Assessment: Members of the Retention Services team, including the Advocacy & Resource Center State Lead, participated in a local needs assessment to better align

support services with the demands of local employers and improve outcomes for students in CTE programs.

Overall, the documentation reflects a strong commitment from TSTC's Advocacy & Resource Center to support special population students through targeted services and collaborative initiatives aimed at fostering academic success and career readiness.

## **Recommendations**

To enhance the effectiveness of your CTE programs and address identified areas for improvement, we suggest the following recommendations:

### **Stakeholder Engagement**

1. Continuous Stakeholder Mapping and Inclusion: Regularly update the stakeholder mapping process to identify and involve new, broad stakeholders, ensuring comprehensive representation.
2. Feedback Loop Creation: Establish structured mechanisms (e.g., surveys, focus groups) to continuously gather and integrate stakeholder input into decision-making processes.
3. Regular Engagement Events: Organize periodic forums, workshops, or roundtables to foster collaboration and relationship-building among broad stakeholder groups.
4. Utilize Technology for Broader Reach: Leverage technology tools like online surveys and virtual meetings to engage stakeholders who may face barriers to in-person participation.
5. Transparent Reporting and Recognition: Maintain transparent communication about the impacts of stakeholder contributions and publicly acknowledge their involvement to foster trust and encourage continued participation.

### **Continuous Improvement**

Based on TSTC's current situation with core indicator targets, particularly their shortfall in achieving 3P1, the following recommendations can help enhance their plan and improve outcomes:

1. Enhance Data Collection: Implement robust methods, such as regular surveys, to track student progress and engagement in CTE programs.
2. Regular Evaluations: Establish a timeline for ongoing evaluations of the implementation plan, focusing on measurable outcomes and adjusting strategies as needed.
3. Faculty Professional Development: Provide continuous training for faculty on innovative teaching strategies to better support closing the gaps among learners.
4. Utilize Technology: Leverage online platforms to enhance teaching methods and offer flexible learning options, increasing accessibility in CTE programs.
5. Monitor 3P1 Objectives: Set key performance indicators (KPIs) related to 3P1 goals and regularly assess progress, celebrating milestones to motivate staff and students.

### **Special Populations**

1. Expand Transportation Assistance: Increase transportation support by partnering with local transit authorities for discounted or free services for eligible students.
2. Grow Lending Library Resources: Diversify the lending library offerings to include digital resources and specialized materials, regularly assessing student needs.
3. Enhance Child Care Support: Explore opportunities for subsidized childcare or partnerships with local providers to expand on-campus childcare services.
4. Create Peer Mentoring Programs: Establish peer mentoring to connect successful students with those who are new or struggling, fostering community and persistence.
5. Regularly Assess Needs and Outcomes: Conduct regular surveys to identify evolving needs among special populations and implement a system for tracking and reporting service effectiveness.

By adopting these recommendations, TSTC can build on its successful foundations and further empower special population students, thereby enhancing their academic experiences and career outcomes.

#### **Institutional Response (Required)**

We welcome your institution's response to our findings and recommendations. Please include any actions currently underway or planned in response to our evaluation, as well as specific areas where additional support may be needed.

Your commitment to continuously improve your CTE programs is commendable, and we look forward to your **response by Friday, March 21, 2025**.

Please feel free to reach out to me directly at [Audra.Patridge@highered.texas.gov](mailto:Audra.Patridge@highered.texas.gov) should you have any questions or require further clarification.

Thank you for your attention to this important matter, and we appreciate your dedication to enhancing educational opportunities for all students.

Sincerely,

**Audra Patridge, Ph.D.**  
**Assistant Director – Community and Technical Colleges**  
Division of Workforce Education  
E: [Audra.Patridge@highered.texas.gov](mailto:Audra.Patridge@highered.texas.gov)

Enclosures:

Final Scoring Matrix

March 14, 2025

Cindy Reily, Associate Vice President

Texas State Technical College  
3801 Campus Drive  
Waco, TX 76705  
cindy.reily@tstc.edu  
254-867-3005

Re: Institutional Response to Perkins V Programmatic Review Findings-Texas State Technical College

Dear Dr. Audra Patridge, Assistant Director - Community and Technical Colleges

Thank you for the thorough evaluation of our Career and Technical Education (CTE) programs under Perkins V. We appreciate the feedback and recommendations provided in the Letter of Findings dated February 20, 2025. Our team has carefully reviewed the findings and would like to respond with our action plan and updates regarding the recommendations.

### **Summary of Findings Response**

#### **1. Stakeholder Engagement**

Finding: No findings.

Response: Texas State Technical College agrees with the statement. No action required.

#### **2. Continuous Improvement**

Finding: No findings.

Response: Texas State Technical College agrees with the statement. No action required.

#### **3. Required Uses of Funds**

Finding: No findings.

Response: Texas State Technical College agrees with the statement. No action required.

#### **4. Special Populations**

Finding: No findings.

Response: Texas State Technical College agrees with the statement. No action required.

## Action Plan for Recommendations

To address the recommendations made, our institution has created the following action plan:

### Perkins Improvement Action Plan

Strategy	Activities	Outcome	Timeline	Responsible Department/Personnel
Stakeholder Engagement				
Continuous Stakeholder Mapping and Inclusion	Develop Stakeholder surveys for industry, school district and community partners	Stakeholder Survey	April 1, 2025 – January 31, 2026	Perkins Project Director
Continuous Improvement 3P1				
Enhance Data Collection	Increase and develop surveys to capture student progress and engagement	Development of a Campus Needs Dashboard	April 1, 2025 – March 30, 2026	TSTC Data & Analytics – Institutional Analytics
Special Populations				
Expand Transportation Assistance	Increase financial transportation support	Serve an additional 10% of students	Annual	Advocacy Resource Center
Grow Lending Library	Diversify our lending library by increasing digital resources.	Increase digital resources for students	Annual	Advocacy Resource Center

## Additional Comments

The recommendations provided were very helpful.

## Conclusion

TSTC views this Desk Review as an opportunity to gain insight into our grant performance and identify areas of success and areas that need attention. This process has allowed our college to review our processes and affirm we are meeting grant requirements, and strengthen our grant program.

Sincerely,



Cindy Reily

Associate Vice President, Sponsored Programs  
Texas State Technical College

March 26, 2025

Mr. Michael L. Reeser  
Chancellor and Chief Executive Officer  
Texas State Technical College System  
3801 Campus Drive  
Waco, Texas 76705

Dear Mr. Reeser:

We have completed a post-payment audit of certain payroll, purchase and travel transactions of the Texas State Technical College System (System). We would like to thank you and your staff for your responsiveness and cooperation in assisting us with this audit. A draft of this audit report was sent to Associate Vice Chancellor for Finance and Controller Ms. Anju Motwani on Jan. 29, 2025. The System's response to the draft is included in this report.

Our purpose was to determine whether the System's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the statewide financial systems. The System is responsible for ensuring its staff is knowledgeable in these areas.

We intend for this report to be used by the System's management and certain state officials and agencies as listed in Texas Government Code, Section 403.071. However, this report is a public record and its distribution is not limited.

We noted other matters involving expenditure processing by the System that we communicated to Ms. Motwani in an email dated Jan, 29, 2025.

The System may inquire about and register for training related to expenditures through Fiscal Management. Review our current [web-based training and tutorials](#) or contact your [Fiscal Management contacts](#) for assistance.

We would like input from you or your designee on the quality of the audit process and the service the audit staff provided while conducting this audit. Please take our [Fiscal Management Audit Survey](#) to rate and comment on the post-payment audit process. Your feedback is greatly appreciated.



Comptroller.Texas.Gov  
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Mr. Michael Reeser  
March 26, 2025  
Page Two

Thank you for your cooperation. If we can be of any further assistance, please contact Amanda Price at [amanda.price@cpa.texas.gov](mailto:amanda.price@cpa.texas.gov) or (512) 475-1426.

Sincerely,



Jennifer Smith  
Payment Operations Area Manager  
Fiscal Management Division

Attachments

cc: Chad Wooten, Vice Chancellor and Chief Financial Officer,  
Texas State Technical College System  
Anju Motwani, Associate Vice Chancellor for Finance and Controller,  
Texas State Technical College System  
Jason Mallory, Chief Audit Executive, Texas State Technical College System  
Amanda Price, Auditor, Texas Comptroller of Public Accounts







# An Audit of the Texas State Technical College System

Audit Report #719-24-01  
March 26, 2025

**Glenn Hegar**  
Texas Comptroller of Public Accounts



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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the Texas State Technical College System (System):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2022, through Nov. 30, 2023.

## Background

The Texas State Technical College System was founded in 1965 as a two-year institution of higher education offering courses of study in technical vocational education. The System contributes to the educational and economic development of the state of Texas by offering occupationally oriented programs with an emphasis on highly specialized advanced and emerging technical and vocational areas for certificates and associate degrees.

Texas State Technical College  
System website

<https://www.tstc.edu>

## Audit Results

The System largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found no issues with travel card, grant, and refund of revenue transactions, fixed assets, and property management. However, the System should consider making improvements to its payroll, purchase, and payment card processes.

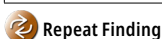
The auditors reissued two findings from the previous audit conducted at the System related to payment of overtime and dual employment. Auditors originally issued these findings on May 17, 2019. An overview of audit results is presented in the following table.





## Table Summary

Area	Audit Question	Results	Rating
<a href="#">Payroll Transactions</a>	Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"><li>• Incorrect lump sum payment of accrued vacation time</li><li>• Missing personnel action forms/ approvals for payroll actions</li><li>• Missing statutory authority for payroll payments</li><li>• Underpayment of overtime</li><li>• Missing documented dual or multiple employment notifications and policy</li></ul>	Compliant, Findings Issued
<a href="#">Purchase and Payment Card</a>	Did purchase and payment card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	<ul style="list-style-type: none"><li>• Missing vendor compliance verifications</li><li>• Prompt payment and payment scheduling errors</li></ul>	Compliant, Findings Issued
Travel Card Transactions	Did travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
Grants	Did grant transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Refunds of Revenue	Did refund of revenue transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant
Targeted Analysis	Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements?	No issues	Fully Compliant



Repeat Finding



## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- Improve the current payroll processes to prevent incorrect payments of accrued vacation time and overtime.
- Ensure completed and signed documentation is created and maintained for employee salary actions and ensure documentation includes all required information.
- Ensure payroll reimbursements are valid, accurate, and do not include any unallowable amounts.
- Ensure overtime payments are correctly calculated.
- Ensure dually employed employees are identified and are properly compensated.
- Ensure all vendor compliance verifications are conducted prior to any purchase, contract award, extension and/or renewal.
- Ensure payment information is submitted for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities, and verify due dates to ensure interest is paid correctly.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$780,547.76 from a group of 30 employees involving 224 payroll transactions to ensure the System complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed the following exceptions in this group of transactions. Additionally, a limited sample of 10 voluntary contribution transactions were audited with no exceptions identified.

## Incorrect Lump Sum Payment of Accrued Vacation Time

Auditors identified six instances where lump sum payments for accrued vacation time were incorrectly calculated resulting in four underpayments and two overpayments to the employees.

The lump sum payment calculation for the four employees with underpayments did not include the holiday hours that should have been credited when calculating the payment amount. The calculation for the two employees with overpayments included credit for more holiday hours than allowed for the pay period.

The balance of the accrued vacation time must be allocated completely over the workdays following the effective date of the employee's separation from state employment. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See [Texas Government Code, Section 661.064](#).

## Recommendation/Requirement

The System must improve its current payroll processes to prevent incorrect payments of accrued vacation time. The System may recover the overpayments in accordance with [Texas Government Code, Chapter 666](#) and must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).

## System Response

*The calculation payout sheet was not consistently used in payroll to verify employees' eligibility for a Holiday Payout. This process requires manual intervention by Payroll, and after extensive research and discussions with Workday Consultants, it has been confirmed that automation is not feasible.*

*Effective March 1, 2025, HR Generalists will process the calculation sheet for Holiday Payouts for all separating employees. Payroll will validate the information and work with the Generalists to resolve any discrepancies, ensuring the correct amount is paid.*



*We are working on compensating the employees for the underpayments identified during the audit. Regarding those overpaid, we have decided not to proceed in collecting those amounts as it is not cost effective to do so.*

## Missing/Incomplete Documentation

During the review of the payroll transactions, auditors identified one employee who did not have documentation in the personnel file to support the amount paid to the employee. While a memo was provided approving the issuance of a bonus/one-time merit, the approved amount and effective date were not included in the document. The personnel action form or other approval document that is used to support an action concerning a state employee must contain the following information: the action taken and its effective date, the dated signature of an employee authorized to approve personnel actions, and the position type, employee type, job title, and salary before and after the action. See [Texas Payroll/Personnel Resource – General Provisions, Required Documentation](#).

## Recommendation/Requirement

The System must ensure that completed and signed documentation is created and maintained as evidence that all employee salary actions, and compensation amounts are accurate, proper, and appropriately authorized. Required documentation includes, but is not limited to, authorized approvals for all employee salaries or salary actions.

## System Response

*TSTC is ensuring approvals and supporting documentation remain within Workday (TSTC ERP) for compensation changes that were requested within and outside of the system.*

## Missing Statutory Authority for Reimbursement

Auditors identified four employees in the payroll sample that received a cash payment of \$2,500 as an employee award. A state agency may use appropriated money to purchase awards to be presented to employees for professional achievement or outstanding services. However, the cost of awards purchased may not exceed \$100 per employee. See [Texas Government Code, Section 2113.201](#) and [eXpendit – Expenditures Related to State Officers and Employees – Employee Awards](#). The System stated that it was unaware of the restrictions on bonuses other than one-time merits. As these employee salaries are paid using appropriated funds, the System thought it could request reimbursement for all salary actions for the employees.



## Recommendation/Requirement

---

The System must update its policies and procedures to ensure it does not request reimbursement for payroll expenses from appropriated funds if it does not have statutory authority to do so. Additionally, the System should refund the state treasury for the unallowable award.

## System Response

---

*TSTC will double check any new pay items that come up to ensure statutory authority exists to use appropriated funds and will otherwise ensure to pay those payroll expenses from non-statutory/local funds.*

*We are in the process of identifying the amount due to be reimbursed to the treasury. We will work with the Comptroller to ensure the funds are returned.*

## Underpayment of Overtime

Auditors identified 16 employees who received an incorrect payment for time earned from working overtime (more than 40 hours in a workweek). The System did not include longevity, hazardous duty, or other special pays in the hourly rate of pay used when calculating the amount owed to the employees. This issue resulted in underpayments for the payments in the sample. According to the System, it was unaware that longevity, hazardous duty, and other special pay amounts were not included. The System implemented a new payroll system in 2022 and believed the overtime calculation did include the required payments. The System is in the process of determining what needs to be done to correct the system calculation.

When additional pay components are not correctly included in the rate of pay, employees will be underpaid for overtime time earned from working more than 40 hours in a workweek. The regular rate of pay for calculating payments for banked overtime hours includes any special payments such as longevity, hazardous duty pay, benefit replacement pay, qualified bonus payments, and other special payments. See [Texas Payroll/Personnel Resource, Non-Salary Payments – Overtime](#).

## Recommendation/Requirement

---

The System must improve its current payroll processes and systems to prevent incorrect overtime payments. All applicable additional pay components must be included in the rate of pay for computing the amount owed to employees. Additionally, the System must compensate the employees for the underpaid amounts. See [34 Texas Administrative Code Section 5.40\(c\)](#).





## System Response

---

*The Overtime Payout calculation in Workday will be updated to include Hazardous Duty pay as an eligible wage.*

*We are working to identify underpayments of overtime to employees and will compensate them for any amounts identified.*

## Missing Documented Dual or Multiple Employment Notifications and Policy

Auditors identified eleven employees who were missing dual employment notification forms informing the System about their employment with other state agencies and/or institutions of higher education. The employees had other jobs with other state entities and received income from that activity. In addition, the System does not have a written dual employment policy and has not developed forms for employees to use to report dual employment. The System stated that it was implementing a new accounting system at the time this issue was initially raised in a previous audit and as a result, the planned corrective action was not taken.

Texas state government is considered a single employer; while one state agency may classify an employee as FLSA-exempt, another state agency may classify the employee as non-exempt. In that case, the non-exempt classification prevails; if such an employee works more than 40 hours in a week among all state agencies, the employee must be paid overtime. If a person is employed at multiple state agencies, coordination and communication are necessary so that all agencies are aware of how the other agencies are classifying the employee, how many hours the employee works at each agency, and who will be responsible for what share of any resulting overtime pay. This is also important to prevent employees from receiving leave accruals and other benefits at both agencies at a rate higher than one full time equivalent employee. The [Statewide Payroll/Personnel Reports Guide \(FPP D.002\)](#) describes how human resources information on all state employees must be submitted to the Comptroller.

## Recommendation/Requirement

---

To avoid the potential for not compensating an employee appropriately, auditors recommend the System routinely obtain and review the [State Employees Employed by More than One State Agency](#) report and coordinate with the other state agencies or institutions of higher education to ensure dually employed employees are, and have been, properly compensated. See [Texas Government Code, Chapter 667 \(Multiple Employments with State\)](#).

## System Response

---

*Policy and procedures are being written and additional controls within Workday are being added, such as state-compliant forms and assessment processes.*



## Purchase and Payment Card Transactions

Auditors developed a sample of 15 purchase transactions totaling \$1,974,368.32 and 25 payment card transactions totaling \$305,430.54 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

### Missing Vendor Compliance Verifications

Auditors identified four purchase transactions and eleven payment card transactions containing errors related to the System's duty to perform vendor compliance verifications, as applicable. The System must provide evidence, such as a screen print, showing that each verification was performed. When vendors are not checked prior to purchase or contract award, there is a risk of conducting business with unauthorized vendors or issuing payments to vendors who owe money to the state.

### Warrant Hold Check

The System was unable to provide evidence it conducted a warrant hold check for eleven payment card purchases over \$500. While there were a few warrant hold checks provided, they were done after the purchase was made. [Texas Government Code, Section 2252.903](#), requires agencies to verify a vendor's warrant hold status when making a purchase with a payment card over \$500. Agencies must not proceed with payment card purchases until the warrant hold has been released. See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#). According to the System, this occurred due to users in several departments forgetting to conduct the checks prior to the purchase.

### Office of Foreign Asset Control (OFAC) Check

The System did not provide evidence that it conducted Office of Foreign Asset Control (OFAC) checks for four purchase transactions prior to contract award. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions). See [Executive Order 13224](#). According to the System, this occurred due to inconsistent application of vendor compliance check procedures.

### Recommendation/Requirement

The System must conduct all vendor compliance verifications before any purchase, contract award, extension, and/or renewal and must retain dated results from the specified website in its pertinent files as proof of having met these requirements. The System must provide training to its employees on the requirement to perform vendor compliance verifications.



## System Response

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*TSTC uses PaymentWorks for vendor onboarding and compliance monitoring during the requisition-to-purchase order process. The system reviews vendors against compliance listings with daily updates. If a vendor is flagged, TSTC will be notified, contract management will be informed, and the vendor will be inactivated. To ensure compliance, employees and cardholders will receive ongoing training on conducting warrant hold checks before applicable P-card purchases. Non-compliance will be documented and addressed.*

## Prompt Payment and Payment Scheduling Errors

Auditors identified two purchase transactions that were paid late, and interest was not paid to the vendors. According to the System, this occurred due to inconsistent application of the invoice receipt date by the purchasing team.

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when it is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#), [eXpendit – Prompt Payment](#) and [Payment Scheduling](#).

## Recommendation/Requirement

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The System must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the System must verify proper due dates are entered to ensure interest is paid correctly, if due. See [eXpendit – Prompt Payment](#) and [Payment Scheduling](#).

## System Response

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*TSTC has reviewed and updated its payment processing procedures to ensure timely submission and release of payments, preventing interest liabilities. Staff are trained to verify due dates, and the Accounts Payable team monitors invoice terms for compliance.*



## Travel Card Transactions

Auditors developed a sample of 16 travel card transactions using non-appropriated local funds totaling \$38,570.79 to ensure the System complied with its internal travel and travel card policies and any pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Fixed Assets

The audit included a review of a limited number of fixed assets acquired by the System during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the System's internal tracking system. Audit tests revealed no exceptions in these transactions.

## Grants

Auditors developed a sample of two grant transactions totaling \$125,320.00, then conducted a limited review of the System's transactions related to grant payments. The review consisted of verifying that the payments did not exceed the authorized amounts. The testing of these payments did not include a review of the System's procedures for awarding the grants or monitoring payments made to grantees. Audit tests revealed no exceptions for this group of transactions.

## Refunds of Revenue

Auditors developed a sample of two refunds of revenue transactions totaling \$11,837.78, then conducted a limited review of the System's transactions related to refunds of revenue payments. The review consisted of verifying that the payments did not exceed the authorized refund amounts and verifying that the reason for the refund was properly documented. Audit tests revealed no exceptions for this group of transactions.

## Targeted Analysis

The audit included targeted analyses outside the main samples of payroll, purchase, and travel transactions. Using Comptroller statewide financial systems and the Citibank CitiManager Reporting System, auditors generated several special reports to analyze additional processes relevant to the audited entity. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed no exceptions in the System's targeted analysis reports.



# Appendices

## Appendix 1 — Objectives, Scope, Methodology, Authority and Team

### Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the statewide financial systems.
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.

### Audit Scope

Auditors reviewed a sample of the Texas State Technical College System (System) payroll, purchase, and travel transactions that processed through the statewide financial systems from Dec. 1, 2022, through Nov. 30, 2023, to determine compliance with applicable state laws.

The System received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

***Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.***

The audit provides a reasonable basis for the findings set forth in this report. The System should implement the recommendations listed in the Detailed Findings of this report. It is the System's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure the System's documents comply in the future. The System must ensure the findings discussed in this report are resolved.

### Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.



## Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

## Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Audit Team

*Amanda Price, CFE, CTCD, CTCM, Lead Auditor*

*Alberto Lañas, MBA, CTCM, CTCD, CCPCM*

*Karla Garcia Dominguez, CTCD, CTCM*



## Appendix 2 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none"><li>• Lack of appropriate and sufficient evidentiary matter.</li><li>• Restrictions on information provided to auditor.</li><li>• Destruction of records.</li></ul>	Scope Limitation

### Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

### Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.





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
Karla Flanagan	Two students in the EMS program completed less than 25% of the degree credit hours at TSTC as mandated by SACSCOC Standard 9.4. One student was awarded an AAS in Fall 2024, but was technically 1 credit hour short. The other student has not yet graduated. The issue occurred because Colleague accepted advanced placement courses. Specifically, Anatomy & Physiology I and II were substituted for BIOL 2404. It was also determined that advising practices have guided students toward this substitution.	3/25/25	One student will be enrolled in an additional summer course to fulfill the 25% credit hour requirement. This course will be funded by scholarship. For the other student who has graduated, the degree will not be revoked. But, the error will be reported to SACSCOC, and the student will not be included in future funding formula calculations.	Internal Audit will verify the one student who has not yet graduated took the additional class, and that the matter is reported to SACSCOC.

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.