

**Texas State Technical College  
Board of Regents  
Audit Committee Meeting**

**Baylor Research Institute Collaboration (BRIC)  
100 Research Parkway  
Waco, TX 76704**

**Thursday, August 11, 2016  
10:45 a.m.**

**AGENDA**

- I. Meeting Called to Order by Audit Committee Chair Ivan Andarza**  
[Ivan Andarza, Joe Gurecky, J.V. Martin]
  
- II. Committee Chair Comments**
  
- III. Minute Order:**
  - Proposed MO #**
  
  - [41-16\(c\) Revision of Fiscal Year 2016 Audit Plan](#) .....2
  
  - [42-16\(c\) Proposed Audit Plan for Fiscal Year 2017](#) .....3
  
- IV. Reports:**
  - [Status of Fiscal Year 2016 Audit Schedule & Other Projects](#) .....10
  
  - [Summary of Audit Reports](#).....12
  
  - [Follow-up Schedule & Status](#) .....14
  
  - [OIT: Internal Network Penetration Test](#) .....19
  
  - [Williamson County: Campus Audit](#) .....21
  
  - [Harlingen & Waco: Campus Audits](#).....25
  
  - [West Texas: Campus Audit](#).....29
  
  - [Financial Aid: Work Study Compliance Audit](#).....33
  
  - [Restricted Chemical Inspection Report \(TX Department of Agriculture\)](#) ..... 42
  
  - [Attestation Disclosures](#)..... 45
  
- V. Adjourn**

Please note: Meetings are scheduled to follow each other consecutively and may start earlier or later than the posted time depending on the length of the discussions and the reports of previous meetings. The estimated times are approximate and may be adjusted as required with no prior notice. Lunch will be at approximately noon.

**Board Meeting Date:** August 11, 2016

**Proposed Minute Order #:** 41-16(c)

**Proposed By:** Jason D. Mallory, Director of Audits

**Subject:** Revision of Fiscal Year 2016 Audit Plan

**Background:** The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents approval for the Annual Audit Plan (Plan) and any revisions. The Director of Audits recommends revising the Plan originally approved on August 13, 2015 by adding the following audits to the Plan:

Ft. Bend Construction Audit  
50<sup>th</sup> Anniversary Celebration Audit  
Airplane Utilization Audit  
Campus Audits (10)

**Justification:** As anticipated, the Plan approved in August 2015 was amended throughout the year by adding projects. The Ft. Bend Construction, 50<sup>th</sup> Celebration, and Airplane Utilization Audits were direct requests by the Board of Regents. The Campus Audits were developed by Internal Audit to verify select policies were still working as intended at the campus level after Single Accreditation, and to maintain an audit presence at each location.

**Additional Information:** None

**Fiscal Implications:** Funds Available as Budgeted for Fiscal Year 2016.

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

**Attachment(s):** None

**Recommended Minute Order:** "The Board of Regents approves the revised audit plan for Fiscal Year 2016."

**Recommended By:**



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Jason D. Mallory, Director of Audits

**Board Meeting Date:** August 11, 2016

**Proposed Minute Order #:** 42-16(c)

**Proposed By:** Jason D. Mallory, Director of Audits

**Subject:** Proposed Audit Plan for Fiscal Year 2017

**Background:** The Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code, requires Board of Regents' approval for the annual audit plan and any revisions.

**Justification:** The guidelines of the Internal Auditing Act require that the internal auditor use risk assessment techniques to prepare an annual audit plan. The plan must identify the individual audits to be conducted during the year, and requires approval by the Board of Regents.

**Additional Information:** None

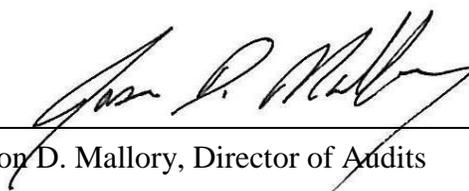
**Fiscal Implications:** Funds Available as Budgeted for Fiscal Year 2017.

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

**Attachment(s):** Proposed Audit Plan – Fiscal Year 2017

**Recommended Minute Order:** “The Board of Regents approves the audit plan for Fiscal Year 2017.”

**Recommended By:**



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Jason D. Mallory, Director of Audits

# **Audit Plan**

## **Fiscal Year 2017**

**Proposed August 11, 2016**

## Executive Summary

The purpose of the Audit Plan (Plan) is to outline audits and other activities the Internal Audit Department will conduct during fiscal year 2017. The Plan was developed using risk assessment techniques that identified individual audits to be conducted during the year by considering the College's major activities and processes, which included its accounting systems and processes, administrative processes, and information technology systems. The Plan, its development, and approval are intended to satisfy requirements under the Internal Audit Charter (SOS GA.1.4) and the Texas Internal Auditing Act (TGC Chapter 2102).

The Plan was developed by risk assessing major activities and processes performed throughout the College, with input from management, Board, and audit staff. Over 60 people throughout the College participated, with 10 high level risks being applied to 68 processes and activities. Risk information available at the time was considered, therefore, the Plan is subject to revision should the risk climate materially change, or unexpected events occur. If this happens, the Director of Audits will promptly notify the Audit Committee and Executive Management of requested revisions to the Plan.

The Plan includes 17 audits, 1 internal quality assessment review of the Internal Audit Department, and several follow-up audits. We will also perform investigations of reported suspected fraud, assist any external auditors, and prepare the subsequent audit plan and the Annual Audit Report.

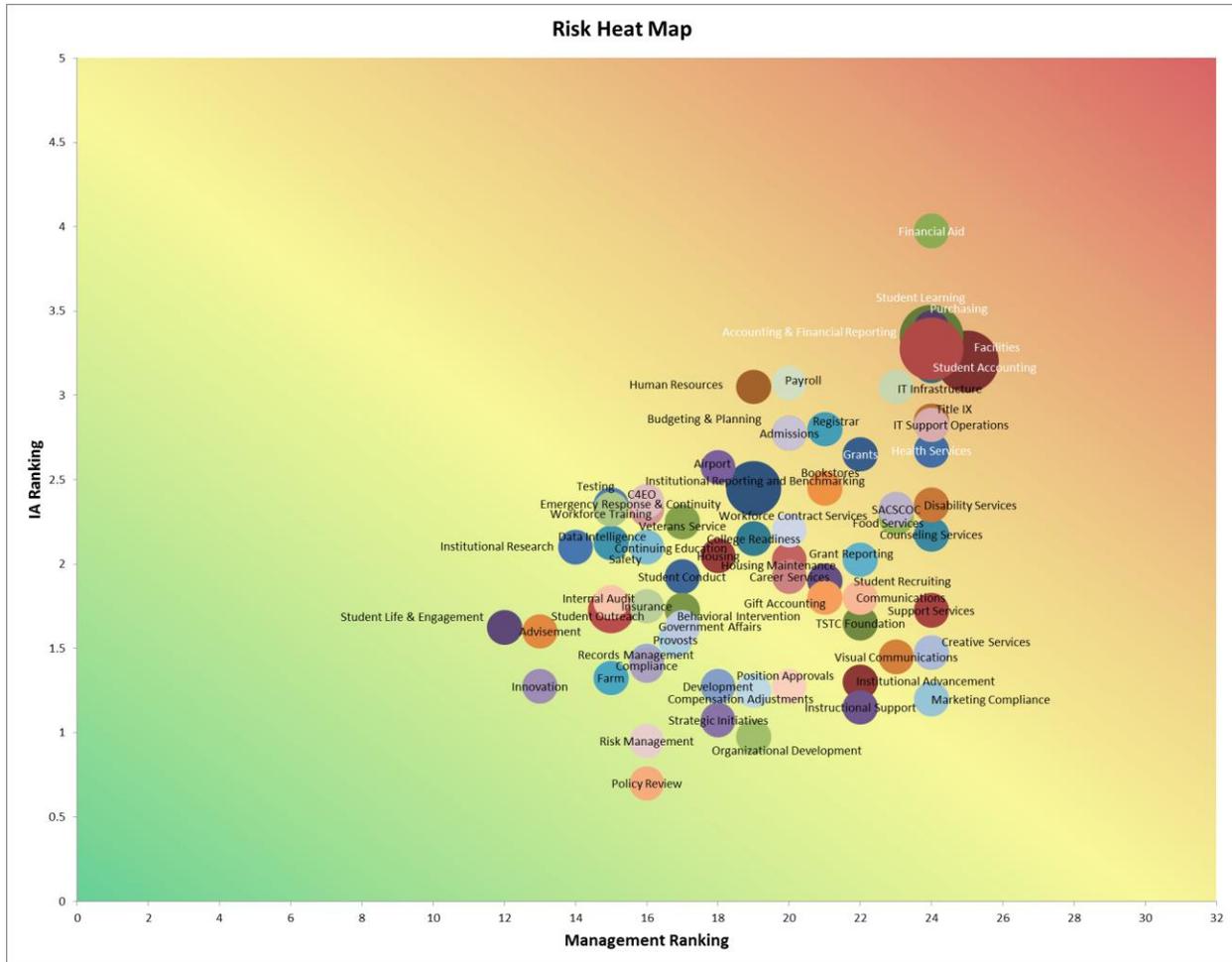
## Description of Risk-Based Methodology

Internal Audit staff and departmental managers completed risk questionnaires on 68 major College process and activities. Those questionnaires gathered information about the following risks in each area:

1. regulatory compliance
2. financial statement impact
3. fraud risk
4. IT dependency
5. handling of sensitive information
6. known safety hazards
7. importance of data and reports generated by the area
8. quality of internal controls
9. customer impact, especially on students
10. impact of recent changes

The departmental managers also identified strategic goal(s) their processes and activities impacted.

The responses on these questionnaires were converted to numeric scores, and plotted on a “heat map.” See that heat map below. The purpose of the heat map is to illustrate areas reflected by the risk questionnaires in which audit resources should be directed. Internal Audit selected auditable areas from the processes and activities plotted higher on the map.



The Plan is also considered in light of significant activities occurring at the College and in the industry. Some of those activities this year included recent single accreditation efforts, performance based funding, increased marketing efforts, and actions aimed at building a culture of philanthropy. Other’s included management’s stated intent to maximize alternative funding sources such as grants and auxiliary business profits, specific actions aimed at operating more efficiently in administrative functions, increased IT security efforts, and legislative requests. The

most recent year-end financial statements, industry related news and events, recent legislation, and past audit plans from other colleges (particularly those in Texas) were also considered.

### Internal Audit Available Time

<b>Total Hours</b> (4 Staff * 52 Weeks *40 hours)	8,320	100%
<b>Less: Estimated Vacation, Holiday, &amp; Sick</b>	936	11%
<b>Required Training</b>	240	3%
<b>Various Meeting &amp; Departmental Administration</b>	760	9%
<b>Total Hours Available for Audits &amp; Other Projects</b>	6,384	77%

### Description of Project Types

Audits: These are projects in which some activity or other management assertion is evaluated so that an opinion can be offered. These can also be projects in which the object is not to offer an opinion, but to develop new information on an activity so that management can use that information in their decision making process.

Follow-up Audits: These are projects in which deficiencies identified in a past audit are tested to ensure management applied appropriate corrective action.

Other Projects: These include fraud investigations, special projects requested by the Board or management, assistance given to external auditors, and administrative projects within the department such as preparing the following year audit plan and the Annual Audit Report.

### Proposed Audit Plan

	<b>Audit</b>	<b>Division/ Department</b>	<b>Description</b>	<b>Budgeted Hours</b>
1.	TAC 202	OIT	Ensure IT security controls and practices required by TAC 202 have either been implemented, or are in the process of being implemented according to timeline established by the Department of Information Resources.	900
2.	Construction	Finance/Facilities	For a major construction	450

	(project TBD)		project, verify bond proceeds are used appropriately, and accounting is accurate.	
3.	Internal Network Penetration Test	OIT	Attempt to breach secured networks accessible in Marshall and West Texas.	350
4.	Texas Education Code, Chapter 51, Subchapter Z, Section 51.9337 (Contracting Requirements)	Financing/Purchasing, Legal	Verify required controls around contracting are in place.	350
5. through 16.	Departmental Audits (TBD) (12 audits)	Numerous divisions	Verify procedures related to P-Cards, travel, purchasing, inventory control, student workers, cash handling, staffing levels & qualifications, vacation time, required training, timekeeping, IT security, completion of performance evaluations, safety processes, use of restricted funds, minors on campus procedures, and protection of sensitive information.	2400
17.	Financial Aid Fraud	Integrated Marketing/Financial Aid	Search for red flags within financial aid data.	350
18.	Internal Quality Assessment Review	Internal Audit	Ensure the audit function has all required quality processes required by the Standards in place.	450
19.	FY 2018 Audit Planning		Formulation of 2018 Audit Plan. Will include risk assessments.	350
20.	FY 2018 Annual Audit Report		Compilation and preparation of State required audit report.	80

21.	Follow-up Audits		Perform procedures on outstanding audit findings.	500
22.	Unassigned		Unassigned time for fraud investigations and other special projects.	204
				6,384



**Texas State Technical College  
Internal Audit  
Status of Fiscal Year 2016 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Report No.	Report Date
<b>INTERNAL AUDITS</b>				
Public Funds Investment Act Audit	Accounting & Finance	Complete	16-005A	9/3/2015
Ft. Bend Construction Audit (TSTC Foundation)	Accounting & Finance	Complete	16-010A	9/29/2015
College Assistance Migrant Program Grant Audit	Integrated Marketing	Complete	16-009A	11/9/2015
50th Anniversary Celebration Audit	Integrated Marketing	Complete	16-017A	12/11/2015
Benefits Proportionality Audit	Accounting & Finance	Complete	16-015A	1/8/2016
Variable Expenditures Audit	All divisions	Complete	16-008A	2/22/2016
Airplane Utilization Audit	Office of the Chancellor	Complete	16-025A	3/17/2016
Violence Against Women Act & Campus Sexual Violence Elimination Act Compliance Audit	Integrated Marketing, Operations	Complete	16-006A	3/21/2016
Developmental Education Scaling and Sustaining Success Grant	Integrated Marketing	Complete	16-019A	3/24/2016
Work Study Compliance Audit	Financial Aid	Complete	16-013A	5/31/2016
Internal Network Penetration Test	OIT	Complete	16-016A	6/9/2016
Campus Audits	All campuses	In Progress	Various	Various
Portal Application Audit	OIT	In Progress		
SB 20 Compliance Audit	Accounting & Finance	In Progress		

**EXTERNAL AUDITS**

State Auditor's Office: A-133 Follow-up	Harlingen	Complete		2/25/2016
State Auditor's Office: A-133 Follow-up	Waco	Complete		2/25/2016
State Auditor's Office: A-133 Follow-up	West Texas	Complete		2/25/2016
State Auditor's Office: A-133 Follow-up	Marshall	Complete		2/25/2016
Texas Department of Agriculture - Restricted Chemical Inspection Report	Airport	Complete		5/23/2016
THECB: Perkins Basic Grant Programmatic Desk Review & Site Visit	OSP	In Progress		
THECB: TEXAS Grant Audit	Financial Aid	In Progress		
Workforce Solutions Cameron: Monitoring Review of Contract 2416 TCY1-00	OSP	In Progress		

**OTHER INTERNAL PROJECTS**

Internal Hotline: Allegation - An employee is going to school full-time while being paid as a full-time employee. Result - Found that the courses were being attempted as credit by exam, therefore, no conflict with work schedule was found. However, we determined that financial aid that was awarded needed to be returned by the employee because credit by exam is not eligible for such aid.	Harlingen	Complete	16-011I	10/12/2015
Internal Hotline: Allegation - The legitimacy of financial aid of an employee's dependent was questioned. Result - By obtaining the tax transcripts used to apply for financial, aid, we determined the allegation was unsubstantiated.	Harlingen	Complete	16-012I	10/22/2015

Description	Division/Campus	Status	Report No.	Report Date
SAO Hotline: Allegation - Some employees in a specific area receive inflated salaries, and the supervisor promotes a hostile working environments for other employees. Result - This allegation was investigated by the HR Department. They did not find the allegation to have merit.	Harlingen	Complete	16-0171	11/17/2015
Internal Hotline: Allegation - Employee attempted to sell College equipment without using the approved disposal process. Result - Determined the allegation had merit. Found the equipment was still on College property so the sale was stopped. Additionally, determined that the employee used College equipment off campus for an unrelated purpose. Employment was terminated.	Waco	Complete	16-0141	10/30/2015
Internal Hotline: Allegation - It was alleged that an employee abused her vouchering and check signing authorities. Result - We did not find any evidence that payments made to the employee were for anything other than legitimate business expenses.	Marshall	Complete	16-0201	1/13/2016
SAO Hotline: Allegation - Hostile work environment		In Progress		



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>Internal Network Penetration Test (16-016A)</b>	1. We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end-user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers.		We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT.	Herrera	12/31/2016
<b>Williamson County Campus Audit (16-031A)</b>	1.	No exceptions noted.			
<b>Campus Audits - Harlingen &amp; Waco (16-027A &amp; 16-028A)</b>	1.	No exceptions noted.			
<b>Campus Audits - West Texas (16-029A)</b>	1.	No exceptions noted.			
<b>Workstudy Compliance Audit (16-013A)</b>	1. Federal non-compliance issues were noted in the awards expended in the 2015 award year.	The Fiscal Operations Report and Application to Participate (FISAP) is submitted by October 1 of each year. The FISAP is divided into three main parts: identifying information, application to participate in campus-based programs, and the Fiscal Operations Report in which prior year awards are reported. Part V is the section that reports prior year work study awards, and was the subject of this audit. For two of the campuses, we identified errors related to the salaries earned, and/or the numbers of students reported.	1.1 FISAP : TSTC will be submitting one FISAP for the College. All documentation for the FISAP will be stored in a shared Google folder. Preparation of the FISAP will begin in mid-July each year in order to give ample time for the data to be reviewed for accuracy by all relevant parties, including Financial Aid and Financial services prior to the due date of October 1.	Kilgore	10/1/2016

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
		Written job descriptions are required for each FWS positions. Each job description must include a minimum list of information. We determined through our testing that job descriptions were missing several required elements.	1.2 Job Descriptions: We have developed two core job descriptions and have given the hiring departments the ability to add specific requirements as needed. One core job description is for the Texas Work-study Program and the other is for Federal Work-study Program. Upon requesting a work-study student, hiring managers will complete a Student Employment Needs Assessment Form on which they will complete a job description with roles, responsibilities, qualifications and education requirements as well as preferred skills related to their department needs. These items will be added to the core job descriptions. Job descriptions have been updated to include all required elements.	Rushing	5/11/2016
		In general, students are not permitted to work in any FWS position during scheduled class times. Exceptions are permitted if the class has been cancelled, or if the student has been excused by the instructor from attending for a particular day. We identified numerous instances where the documented hours worked conflicted with class and/or lab schedules. We were unable to obtain documentation for the conflicts (even though the most likely scenario is that lab work was completed early).	1.3 Timesheets & Hours Worked: Work-study students are not permitted to work in any FWS positions during scheduled class times. While exceptions may be permitted, we have chosen not to permit students to work during scheduled class times. The Student Employment Needs Assessment Form, which is required to be completed prior to obtaining a work-study student, has been updated to add a disclosure advising hiring managers that work-study students will not be permitted to work during a time he/she is scheduled to be in class. Hiring managers submitting the form are required to understand and sign the disclosure statement.	Hoekstra	5/11/2016
		The College must use at least 7% of its FWS allocation for an award year to pay students employed in community service jobs that year. In meeting that requirement, at least one or more of the students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities. At one campus, we determined through discussions with the supervisor that the literacy requirement was not met, even though it was reported as being met on the FISAP.	1.4 Community Service & Literacy Requirements: The college is responsible for using at least 7% of its Federal Work-study allocation each year to employ students in community service jobs. For the 2015-16 year we have already met that requirement. We have 17 students who are employed in community service jobs, and have already spent 7.8% of our total allocation on community service jobs at the end of the Spring 2016 semester. In addition, the college must have at least one FWS student employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project. For the 2015-16 year, we have a total of 7 students employed in reading/math tutoring positions.	Kilgore	6/30/2016
Pesticide Inspection Findings - Texas Department of Agriculture	1.	No exceptions noted.			



**Texas State Technical College  
Internal Audit  
Follow Up Schedule & Status**

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>December 2010 Attestation Disclosure, Herrera</b>	1. TSTC provides internet service to members of the West Texas Telecommunications Consortium (WTTC). In 2008, WTTC was cited for an FCC violation in an external audit because the audit concluded that WTTC "surrendered control of its competitive bidding process" to TSTC because a TSTC employee sat on the WTTC board at the time. However, the audit went on to conclude that the selection of TSTC was the most cost effective bid. Nevertheless, as a result of this audit finding, the funding agency has indicated in letters to both TSTC and WTTC that \$589 thousand may be required to be repaid. The certainty of that requirement is yet unknown.	TSTC and WTTC issued an attorney drafted joint appeal on January 11, 2011, to the funding agency in an attempt to 1) clarify the audit finding, and 2) appeal the ruling that the money may need to be repaid. This appeal is based primarily on the facts that no negative monetary effect was felt by WTTC, and the TSTC employee who was on the Board did not actually participate in any part of the bid process. The appeal also included affidavits from 4 WTTC Board members, the WTTC WAN Director, and the TSTC employee that state the TSTC employee did not participate in the bidding or selection process.	<b>On-going:</b> As of 07/13/16, we had not received a response on our appeal to the finding from the FCC. TSTC General Counsel previously spoke with outside counsel on the matter who indicated the FCC is severely backlogged on appeals. They are just reweighing appeals filed in 2006. Internal Audit will leave this on the follow-up schedule until the appeal has been heard. This may take several years.	We are still pending a ruling from the FCC on the matter.	Still awaiting FCC response
<b>Harlingen, Waco, Marshall, WT, Sys Ops: 2014 Employee Time Reporting Audits, Hoekstra</b>	1. The forms used to report time should be enhanced to capture more information on the compensatory time that is being requested so as to assist HOD with verifying the time calculation. This would benefit employees by further ensuring they are credited with the correct amount of compensatory time.	1.2 HOD will review (and revise if necessary) all existing policies and procedures related to leave and compensatory time to ensure compensatory time is handled consistently throughout the System.	<b>Partially Complete:</b> HR personnel have been trained to better scrutinize all manual times sheets. In December, the Payroll Department kicked off a project to automate the timesheets. IA was in attendance during the planning meetings with programmers. The programmers are currently working on the automation.		TBD
		1.3 Depending on availability of IT programming personnel, HOD will facilitate enhancements of the current leave system to accommodate automation of compensatory time recording and calculation.	<b>See above comments</b>		TBD
		1.4 Once the method for time reporting is determined, System-wide training will be implemented.	<b>See above comments</b>		TBD
<b>Harlingen: A-133 Audit (performed by the SAO), Adams</b>	1. Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Continue to calculate initial award on full-time enrollment, and after the census date adjust the cost of attendance to the actual enrollment level. Awards will continue to be adjusted as necessary.	<b>07/13/16:</b> Partially implemented. SAO will retest in FY 2017.		2/1/2017

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>Marshall: A-133 Audit (performed by the SAO), Adams</b>	1. Summary: Cost of Attendance budgets need to be adjusted to reflect actual enrollment so that the potential for over awards is reduced.	Continue to run an automated process to adjust awards based upon enrollment. The financial aid office will ensure only eligible budget components are included in the COA calculation.	<b>07/13/16:</b> Partially implemented. SAO will retest in FY 2017.		2/1/2017
<b>VA Benefits Compliance Audits (15-029A, 30A, 40A, 41A), Adams</b>	1. A centralized and standardized method for maintaining and monitoring documentation, and reporting enrollment data to the VA needs to be implemented. The processes currently on both campuses varies, with documentation and reporting exceptions noted at both.	We will: - Centralize files that contain all required documents for every student by scanning all documents for safekeeping in ImageNow. - Because some offices do not have scanners, equipment will need to be purchased as resources permit. - All school certifying officials will begin using curriculum information obtained from the THECB to evaluate courses and programs of study. - Obtain access to required documents maintained by other departments and determine a way to organize these. We feel these steps will help us better meet monitoring and reporting requirements.	<b>On-going:</b> Internal Audit will retest in October 31, 2016 and verify in the new system that (1) there is a standardized process system-wide, (2) the VA Department has access to the appropriate documents, (3) and there is evidence that they have reviewed the appropriate documents.		10/31/2016
<b>Cybersecurity Audit (15-049A), Herrera</b>	1. Controls related to wireless access and mobile devices need to be improved, as well as overall IT security training and awareness.	1.1 Due to network and hardware configuration, the following TSTC networks do not have separate guest and secure wireless: Sweetwater, Brownwood, Breckenridge, Abilene and Marshall. We are currently in the stages of correcting Brownwood and Breckenridge. The estimated completion date is October 31, 2015. Sweetwater and Marshall should be completed by July 2016 and Abilene by October 2016.	<b>Partially Complete</b> - At 03/02/16, the Brownwood and Breckenridge campuses have been completed. Marshall and Sweetwater are scheduled for completion by July 2016, with Abilene being scheduled completion by October 2016. The Marshall campus is currently in-progress and the Sweetwater campus is in the planning stage.		10/31/2016
		1.3 A draft Mobility Management Policy has been created and is in the early stages of revision. Once OIT management has approved the draft it will go to the Information Technology Action Group for comment, revision and acceptance prior to going to EMC and the Chancellor for review. We expect the Mobility Management Policy to be in place by April 1st, 2016.	<b>Partially Complete</b> - At 03/02/16, a rough draft of the policy has been created. At 07/08/16, the final version of the policy was not yet complete.		6/1/2016

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>VAWA Audit (16-008A), Rushing, Kilgore</b>	1. Improvements are needed to better comply with VAWA. Specifically, we determined training, policy disclosures in the annual security reports, and other required disclosures were lacking.	1.1 The TSTC ASR for 2016 will include the required policies, statistics, and elements not included within the October 1st, 2015 annual security report/notice. 1.2 All ten TSTC campuses will be included within an ASR(s) for 2016. 1.3 The link to the TSTC Title IX Booklet will be provided to all enrolled TSTC students during student orientation at the beginning of each semester; in addition, each identified TSTC Campus Security Authority will be provided a hard copy as well as the link to the TSTC website containing the Title IX Booklet.	<b>On-going</b> The Department of Governance, Risk, and Compliance had completed a revised annual security report to be reviewed; however, on 06/23/16, the Department of Education released the updated Handbook for Campus Safety and Security Reporting 2016 Edition. This handbook was provided to the Governance, Risk, and Compliance Department so that appropriate actions may be taken to revising the annual security report.		10/1/2016
		1.4 Campus Security Authorities will be identified for each TSTC campus and will receive standardized training in accordance with the Clery Act Handbook. 1.5 A standardized VAWA training module for employees and students will be created and published via Moodle.	<b>On-going</b> - At 06/01/16, an email notification for the Mandatory Title IX Training for Employees was provided campus wide with a deadline to complete of 06/30/16.		10/1/2016
<b>Internal Network Penetration Test (16-016A), Herrera</b>	1. We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers.	We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT.	<b>On-going</b>		12/31/2016
<b>Workstudy Compliance Audit (16-013A), Rushing, Kilgore, Hoekstra</b>	1. Federal non-compliance issues were noted in the awards expended in the 2015 award year.	1.1 FISAP : TSTC will be submitting one FISAP for the College. All documentation for the FISAP will be stored in a shared Google folder. Preparation of the FISAP will begin in mid-July each year in order to give ample time for the data to be reviewed for accuracy by all relevant parties, including Financial Aid and Financial services prior to the due date of October 1.	<b>On-going</b>		10/1/2016

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		<p>1.2 Job Descriptions: We have developed two core job descriptions and have given the hiring departments the ability to add specific requirements as needed. One core job description is for the Texas Work-study Program and the other is for Federal Work-study Program. Upon requesting a work-study student, hiring managers will complete a Student Employment Needs Assessment Form on which they will complete a job description with roles, responsibilities, qualifications and education requirements as well as preferred skills related to their department needs. These items will be added to the core job descriptions. Job descriptions have been updated to include all required elements.</p>	<p><b>On-going:</b> Will verify implementation in Fall 2016.</p>		5/11/2016
		<p>1.3 Timesheets &amp; Hours Worked: Work-study students are not permitted to work in any FWS positions during scheduled class times. While exceptions may be permitted, we have chosen not to permit students to work during scheduled class times. The Student Employment Needs Assessment Form, which is required to be completed prior to obtaining a work-study student, has been updated to add a disclosure advising hiring managers that work-study students will not be permitted to work during a time he/she is scheduled to be in class. Hiring managers submitting the form are required to understand and sign the disclosure statement.</p> <p>Students will also be required to read and sign a Student Employment Schedule Acknowledgement Form as part of their new employee packet. The form discloses to students that he/she is not permitted to work during his/her scheduled classes or exams and on holidays unless approved by supervisor and the Financial Aid Office. The Financial Aid Office will collaborate with Payroll and Human Resources to conduct random audits of timesheets to ensure that students have not worked during schedule class times. The Financial Aid Office will also send emails to all supervisors each semester with a reminder to ensure class schedules are submitted prior to the beginning of each semester and on census date.</p>	<p><b>On-going:</b> Will verify implementation in Fall 2016.</p>		5/11/2016

Report Name & No., Resp. Sr Mgr	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
		<p>1.4 Community Service &amp; Literacy Requirements: The college is responsible for using at least 7% of its Federal Work-study allocation each year to employ students in community service jobs. For the 2015-16 year we have already met that requirement. We have 17 students who are employed in community service jobs, and have already spent 7.8% of our total allocation on community service jobs at the end of the Spring 2016 semester. In addition, the college must have at least one FWS student employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project. For the 2015-16 year, we have a total of 7 students employed in reading/math tutoring positions.</p> <p>Jackie Adler, Executive Director-Financial Aid spoke with Sean from Campus Based Programs on Thursday, May 26, 2016. He provided instructions on how to submit a request to amend the Fiscal Operations Report and Application to Participate (FISAP) to indicate that the Marshall campus did not have any Federal Work-study (FWS) students employed in literacy activities. They will review the request and will notify us if we can make the changes to the FISAP. The College will not be required to repay any funds since the students in question were employed in community service activities.</p>	<p><b>On-going:</b> Will verify implementation in Fall 2016.</p>		<p>6/30/2016</p>



## **Internal Network Penetration Test (Waco & Harlingen Campuses)**

### **Executive Summary Report**

Between April 11 and 22, 2016, Internal Audit with assistance from the Security Analyst with the Office of Information Technology performed vulnerability scans and penetration testing of the College's internal networks on the Waco and Harlingen campuses.

The primary objective of this project was to ensure primary systems and systems directly supporting the confidentiality, integrity, and accessibility of primary systems have controls in place to detect and prevent attacks from unauthorized individuals on campus. It was intended to verify end-user reactions, and give the College insight into real-world attack vectors that may not have been previously considered or tested.

The scope of the penetration test included the physical and logical securities of core network equipment, access network equipment, and servers located on the Waco and Harlingen campuses. We approached the test from the perspective of an unauthorized individual who gained limited knowledge about these assets by performing internet searches, and physically observing facilities. We tested end user training effectiveness through various social engineering attacks known as phishing by calling and sending emails to select individuals requesting sensitive information. We also attempted to gain access to privileged systems and information using flaws and information gathered throughout our other testing and observations. Both manual and automated testing methods were used to detect and/or exploit vulnerabilities.

Industry standards contained in the following documents served as our methodology:

- IS Benchmarks - Baseline Configurations for Secure Operating System and Application Deployment
- NIST Configuration Baselines - Baseline Configurations for Secure Operating System and Application Deployment
- NIST 800-53 - Security and Privacy Controls for Federal Information Systems and Organizations
- NIST 800-115 - Technical Guide to Information Security Testing and Assessment
- OSSTMM - Open Source Testing Methodology Manual

We determined that wireless access points located throughout the campuses are unlikely to emit strong enough signals that can be used by someone outside of the physical perimeters of the campus to launch attacks. The physical securities of administrative offices are generally monitored and restricted, making it difficult for someone to steal sensitive information from desktops (clean desk test) or from shred or trash bins (dumpster diving) without being detected. Help Desk personnel utilize a multi-layered approach of authentication before resetting passwords. Employees generally will not disclose sensitive information during telephone and e-

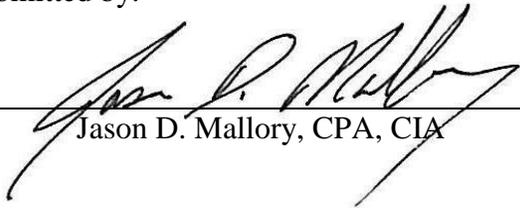
mail requests. And, OIT sends immediate communications to campus employees when an attack is detected.

We were able to find information on the internet that was useful to us in our social engineering attacks. As such, we were able to obtain both end-user credentials to systems containing protected data, and other information that could be used to get those credentials using relatively low-tech methods. We also noted instances in which physical security needs to be improved. Finally, we were able to inappropriately access student and employee data on servers using techniques available to more sophisticated hackers.

We furnished management with details of our findings in a separate, confidential report. They agreed with the areas we identified as needing attention, and are currently implementing corrective action.

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

Submitted by:



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Jason D. Mallory, CPA, CIA

June 9, 2016

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Date

**Management Response:**

We have reviewed the issues identified and agree that corrective actions are necessary. We formulated specific actions for each of the issues, and have already corrected some. All required actions will be completed no later than December 2016 since some actions will require assistance from personnel outside of OIT.



**Internal Audit Department**

**Audit Report**

**Williamson County Campus Audit  
of  
TEXAS STATE TECHNICAL COLLEGE**

**July 8, 2016**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

<u>Table of Contents</u>	
Executive Summary .....	1
Introduction.....	1-2
Objectives .....	2
Scope & Methodology .....	3
General Observations.....	3
Summary of Finding .....	3
Opinion .....	2-3

We have completed an audit of select procedures on the campus in Williamson County (Hutto). The purpose of the audit was to verify capitalized and non-capitalized items are on hand, classes are being held as scheduled, and student club funds are appropriately segregated from College funds and safeguarded. We also made random safety observations while classes were in session, and reviewed mail handling procedures.

The following Statewide Operating Standards served as the basis of our testing:

- SOS ES 5.21 – Student Organizations
- SOS GA 1.15 – Fraudulent Use of Assets and Resources
- SOS FA 1.19 – Real and Personal Property Accountability
- SOS ES 1.15 – Faculty Expectations and Workload
- SOS GA 1.6.1 – Safety Program

We determined that funds owned by student clubs were classified as agency funds, and safeguarded against unauthorized access. We were able to locate all capital and non-capital items we selected for surprise inspection, classes were being held at their scheduled time and location, and mail is properly secured. Finally, safety practices were being followed during the classes we observed.

## Introduction

We utilized several Statewide Operating Standards (SOS) for the basis of our testing of assets, property and other College resources on the campuses.

SOS ES 5.21, Student Organizations, states funds must be maintained as “agency” funds and be maintained with the Student Accounting office. During FY 2016, TSTC Hutto had 1 student club actively using their account. We reviewed all expenditures to ensure accounts were segregated from College funds, and safeguarded against unauthorized access.

SOS GA 1.15, Fraudulent Use of Assets and Resources, and SOS FA 1.19, Real and Personal Property Accountability identify controls and procedures required to safeguard assets. Property reviewed during this audit included the recent purchases of various non-capitalized and capitalized items. Particular attention was given to items with probable value to people outside of the

College. We also inspected the mail rooms to ensure mail is secure.

SOS ES 1.15, Faculty Expectations and Workload, includes requirements of faculty. During Summer 2016, there were 71 courses listed in the course schedules at Hutto. We randomly observed classes during scheduled meeting times to ensure they were being held as scheduled.

SOS GA 1.6.1, Safety Program, identifies safeguards to protect the employees and students, and to create healthy and safe learning and work environment. Safety is especially important in technical classes where students are exposed to machinery, chemicals or potential hazards. We made observations related to safety in the classes we observed.

## Objectives

The objectives of the audits were to determine whether:

- Funds from student clubs are classified as agency funds, with access being restricted.
- Use of College resources, assets and property are used in accordance with policy, and properly secured.
- Classes are being taught when scheduled.
- Appropriate safety practices are taking place in classes.

## Scope & Methodology

The scope of our audit included all agency accounts held for all student clubs. All courses scheduled during the Summer 2016 semester were subject to testing, as were all mailrooms. To accomplish our objectives, we reviewed student club expenditures, and verified existence of items recently purchased. We also verified the security of the mailrooms and related vehicles, and observed classes during their scheduled times and locations. Numerous SOSs served as the basis of our testing.

## General Observations

The College policies and procedures we tested were being complied with at the Hutto campus.

## Summary of Finding

No material exceptions were identified.

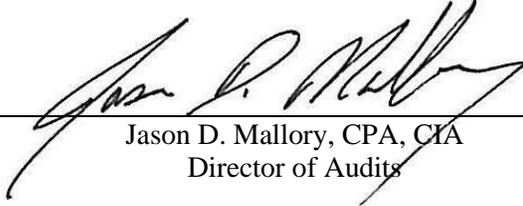
## Opinion

Based on the audit work performed, we determined that controls and processes for the various assets, resources and property tested

during this project were operating as intended on the Hutto campus.

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  
Director of Audits

June 8, 2016

Date



**Internal Audit Department**

**Audit Report**

**Campus Audits (Waco & Harlingen)  
of  
TEXAS STATE TECHNICAL COLLEGE**

**June 1, 2016**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

<u>Table of Contents</u>	
Executive Summary .....	1
Introduction.....	1-2
Objectives .....	2
Scope & Methodology .....	3
General Observations.....	3
Summary of Finding .....	3
Opinion .....	3

We have completed audits of select procedures on the Waco and Harlingen campuses. The purpose of the audits was to verify cash is handled properly, capitalized and non-capitalized items, as well as police evidence are on-hand, classes are being held as scheduled, and student club funds are appropriately segregated from College funds and safeguarded. We also made random

safety observations while classes were in session, and reviewed mail handling procedures.

The following Statewide Operating Standards served as the basis of our testing:

- SOS ES 5.21 – Student Organizations
- SOS FA 2.2 – Controls of Cash
- SOS GA 1.15 – Fraudulent Use of Assets and Resources
- SOS FA 1.19 – Real and Personal Property Accountability
- SOS ES 1.15 – Faculty Expectations and Workload
- SOS GA 1.6.1 – Safety Program

We determined that funds owned by student clubs were classified as agency funds, and safeguarded against unauthorized access. We did not identify any material shortages during surprise cash counts, and cash drawers and safes were locked. We were able to locate all police evidence we inquired about, as well as all capital and non-capital items we selected for surprise inspection. Cattle pastured on the Waco campus were also all accounted for. Finally, safety practices were being followed during the classes we observed.

We identified opportunities for mail to be better secured. Management agreed to better secure it, and immediately took steps in that regard. We also noted isolated instances of classes not being in session during scheduled times. Management followed up with the instructors to determine the specific causes. We did not feel these observations warranted further comment in this report because they were being appropriately addressed.

## Introduction

We utilized several Statewide Operating Standards (SOS) for the basis of our testing of assets, property and other College resources on the campuses.

SOS ES 5.21, Student Organizations, states funds must be maintained as “agency” funds and be maintained with the Student Accounting office. During FY 2016, TSTC Waco had 31 student clubs actively using their accounts, while TSTC Harlingen had 26. We reviewed a sample of expenditures to ensure accounts were segregated from College funds, and safeguarded against unauthorized access.

SOS FA 2.2, Control of Cash, Cash Receipts and Cash Refunds, specifies controls and safeguards surrounding this asset; the Cashier’s offices, bookstores and cafeterias were selected for random cash counts and inspection.

SOS GA 1.15, Fraudulent Use of Assets and Resources, and SOS FA 1.19, Real and Personal Property Accountability identify controls and procedures required to safeguard assets. Property reviewed during this audit included the police evidence and property rooms, recent purchases of various non-capitalized and capitalized items. Particular attention was given to items with probable value to people outside of the College. We also inspected the livestock pastured in Waco, and the mailrooms and related vehicles.

SOS ES 1.15, Faculty Expectations and Workload, includes requirements of faculty. During Spring 2016, there were 1,044 and 936 courses listed in the course schedules at Waco and Harlingen, respectively. We randomly observed classes during scheduled meeting times to ensure they were being held as scheduled.

SOS GA 1.6.1, Safety Program, identifies safeguards to protect the employees and students, and to create healthy and safe learning and work environment. Safety is especially important in technical classes where students are exposed to machinery, chemicals or potential hazards. We made observations related to safety in the classes we observed.

## Objectives

The objectives of the audits were to determine whether:

- Funds from student clubs are classified as agency funds, with access being restricted.
- Cash is controlled and restricted.
- Use of College resources, assets and property are used in accordance with policy, and properly secured.
- Classes are being taught when scheduled.
- Appropriate safety practices are taking place in classes.

## Scope & Methodology

The scope of our audit included all cash maintained in bookstores, cafeterias, and cashier's offices. It included all evidence maintained by the Police, and all agency accounts held for all student clubs. All courses scheduled during the Spring 2016 were subject to testing, as were both mailrooms. To accomplish our objectives, we reviewed student club expenditures, performed surprise cash counts, verified existence of items recently purchased, and conducted surprise inspections of the College Police evidence and property rooms. We also verified the security of the mailrooms and related vehicles, ensured all livestock was on-hand, and observed classes during their scheduled times and locations. Numerous SOSs served as the basis of our testing.

## General Observations

The College policies and procedures we tested were being complied with at both campuses.

## Summary of Finding

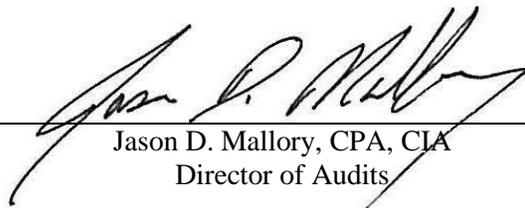
No material exceptions were identified.

## Opinion

Based on the audit work performed, we determined that controls and processes for the various assets, resources and property tested during this project were operating as intended on the Waco and Harlingen campuses.

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

Submitted by:



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Jason D. Mallory, CPA, CIA  
Director of Audits

June 1, 2016

Date



**Internal Audit Department**

**Audit Report**

**West Texas Campuses Audit  
of  
TEXAS STATE TECHNICAL COLLEGE**

**June 28, 2016**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

<u>Table of Contents</u>	
Executive Summary .....	1
Introduction.....	1-2
Objectives .....	2
Scope & Methodology .....	3
General Observations.....	3
Summary of Finding .....	3
Opinion .....	3

We have completed audits of select procedures on the campuses in Sweetwater, Abilene, Breckenridge, and Brownwood. The purpose of the audits was to verify cash is handled properly, capitalized and non-capitalized items, as well as police evidence are on-hand, classes are being held as scheduled, and student club funds are appropriately segregated from

College funds and safeguarded. We also made random safety observations while classes were in session, and reviewed mail handling procedures.

The following Statewide Operating Standards served as the basis of our testing:

- SOS ES 5.21 – Student Organizations
- SOS FA 2.2 – Controls of Cash
- SOS GA 1.15 – Fraudulent Use of Assets and Resources
- SOS FA 1.19 – Real and Personal Property Accountability
- SOS ES 1.15 – Faculty Expectations and Workload
- SOS GA 1.6.1 – Safety Program

We determined that funds owned by student clubs were classified as agency funds, and safeguarded against unauthorized access. We did not identify any material shortages during surprise cash counts, and cash drawers and safes were locked. We were able to locate all police evidence we inquired about, as well as all capital and non-capital items we selected for surprise inspection. Finally, safety practices were being followed during the classes we observed.

On the Sweetwater campus, we identified an opportunity for mail to be better secured while being delivered. We also noted some opportunities to tighten controls around disbursements of funds from accounts owned by student organizations. We passed those observations on to management, who immediately took steps to improve controls. We did not feel these observations warranted further comment in this report because they were being appropriately addressed.

## Introduction

We utilized several Statewide Operating Standards (SOS) for the basis of our testing of assets, property and other College resources on the campuses.

SOS ES 5.21, Student Organizations, states funds must be maintained as “agency” funds and be maintained with the Student Accounting office. During FY 2016, TSTC West Texas had 10 student clubs actively using their accounts. We reviewed all expenditures to ensure accounts were segregated from College funds, and safeguarded against unauthorized access.

SOS FA 2.2, Control of Cash, Cash Receipts and Cash Refunds, specifies controls and safeguards surrounding this asset; the Cashier’s offices, bookstores and cafeterias were selected for random cash counts and inspection.

SOS GA 1.15, Fraudulent Use of Assets and Resources, and SOS FA 1.19, Real and Personal Property Accountability identify controls and procedures required to safeguard assets. Property reviewed during this audit included the police evidence and property rooms, recent purchases of various non-capitalized and capitalized items. Particular attention was given to items with probable value to people outside of the College. We also inspected the mail rooms and related delivery vehicles, to ensure mail is secure.

SOS ES 1.15, Faculty Expectations and Workload, includes requirements of faculty. During the summer 2016 term, there were 72 courses listed in the course schedules at Sweetwater, 127 at Abilene, 55 at Brownwood and 27 at Breckenridge. We randomly observed classes during scheduled meeting times to ensure they were being held as scheduled.

SOS GA 1.6.1, Safety Program, identifies safeguards to protect the employees and students, and to create healthy and safe learning and work environment. Safety is especially important in technical classes where students are exposed to machinery, chemicals or potential hazards. We made observations related to safety in the classes we observed.

## Objectives

The objectives of the audits were to determine whether:

- Funds from student clubs are classified as agency funds, with access being restricted.
- Cash is controlled and restricted.
- Use of College resources, assets and property are used in accordance with policy, and properly secured.
- Classes are being taught when scheduled.
- Appropriate safety practices are taking place in classes.

## Scope & Methodology

The scope of our audit included all cash maintained in bookstores, cafeterias, and cashier's offices at the Sweetwater, Abilene, Brownwood, and Breckenridge campuses. It included all evidence maintained by the Police in Sweetwater, and all agency accounts held for all student clubs. All courses scheduled during the summer 2016 term were subject to testing, as were all mailrooms. To accomplish our objectives, we reviewed student club expenditures, performed surprise cash counts, verified existence of items recently purchased, and conducted surprise inspections of the College Police evidence and property rooms. We also verified the security of the mailrooms and related vehicles, and observed classes during their scheduled times and locations. Numerous SOSs served as the basis of our testing.

## General Observations

The College policies and procedures we tested were being complied with at all West Texas campuses.

## Summary of Finding

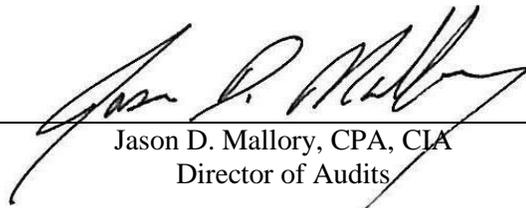
No material exceptions were identified.

## Opinion

Based on the audit work performed, we determined that controls and processes for the various assets, resources and property tested during this project were operating as intended on the Sweetwater, Abilene, Brownwood, and Breckenridge campuses.

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  
Director of Audits

June 28, 2016

Date



**Internal Audit Department**

**Audit Report**

**Work Study Compliance Audit  
of  
TEXAS STATE TECHNICAL COLLEGE**

**May 31, 2016**

**This audit was conducted in accordance with the  
*International Standards for the Professional Practice of Internal Auditing*  
of the Institute of Internal Auditors.**

## Executive Summary

<u>Table of Contents</u>	
Executive Summary .....	1-2
Introduction.....	2
Objectives .....	3
Scope & Methodology .....	3
General Observations.....	3-4
Summary of Finding .....	4
Opinion .....	4
Audit Finding Detail.....	5-8

Internal Audit has completed a compliance audit of Federal and Texas work study. The purpose of the audit was to ensure the College met major work study provisions in fiscal year 2015 at each campus, and to determine whether compliance was likely going forward.

For Federal compliance, our primary audit objectives included verifying all funds were expended only on wages and in the correct proportion to non-federal wages, that all reporting was accurate and timely, that all community service and literacy requirements were met, that all statements and notices were included in job descriptions and payroll advices, and that all students paid through the program met enrollment requirements. Additional objectives included ensuring any unexpended awards were released back to the Department of Education (ED), administrative cost allowances were used for allowable purposes, timesheets supported hours worked and hours worked by students did not conflict with class and lab schedules, and awards to students did not exceed financial need. We also reviewed drawdown methods and associated reconciliations.

For Texas compliance, our primary audit objectives were to ensure all reporting was accurate and timely, students met eligibility standards and awards did not exceed financial need, payments were for eligible periods of work, and expenditures were only for student work study.

Our testing included reviewing timesheets and job descriptions, comparing awards to financial need, reconciling payments per the payroll system to payments reported to ED, and reviewing year end reports. We also recalculated percentage requirements, inquired of management on select procedures and processes, and reviewed monthly reconciliations.

During our testing, we concluded that compliance going forward will most likely be achieved. Beginning in fiscal year 2016, all work study is overseen by one person. As a result, all procedures have been standardized. This person appeared well versed on the various rules. Discussions with the Payroll Department also demonstrated a thorough understanding of aspects handled by their area.

For fiscal year 2015, we determined that full compliance was not achieved to the Federal work study rules. Individually, most of the exceptions we noted would not represent significant non-compliance. But taken in aggregate, we feel they warranted citing in this report. The most significant, and pervasive individual issue we noted across all campuses related to students working during times that classes or labs were scheduled. We feel there is a reasonable explanation for this anomaly, but we were unable to obtain documentation to explain it.

We identified isolated exceptions related to Texas work study, but did not feel they were significant enough to mention in this report. Management was given a list of those exceptions as well so that they can address any potential issues going forward.

## Introduction

Until September 1, 2015, each campus was awarded and oversaw its own Federal and Texas work study funds. Since that date, the Federal award has been consolidated into one award, and is being overseen by one person in the Financial Aid Department. The Texas award, while managed by one person, is still made on a campus by campus basis.

For fiscal year 2015, the Department of Education awarded a Federal allocation to each campus. For Harlingen, Marshall, Waco, and West Texas, those allocations were \$256,849, \$58,024, \$230,749, and \$37,530, respectively. They expended \$243,557, \$60,301, \$196,348, and \$23,400, respectively that same year. Carry-forwards and carry-backs from other years were included in those expenditures. Any unused amounts were released back to ED.

The Texas allocations for fiscal year 2015 for Harlingen, Marshall, Waco, and West Texas were \$43,827, \$7,587, \$35,934, and \$12,949, respectively. With the exception of West Texas, all allocated amounts were expended. West Texas only expended \$9,238.

Federal rules are outlined in 34 CFR 673 through 676, as well as Volume 6, Chapters 1 & 2 of the 2015-2015 Federal Student Aid Handbook. Texas rules are set forth by TAC Title 19, Part 1, Chapter 21, Subchapter M.

Management and compliance efforts are a College-wide endeavor, involving the Financial Aid, Human Resources, Payroll Departments, as well as departments that hire student workers.

## Objectives

The purpose of the audit was to verify the College complied with the following Federal and Texas rules governing work study:

### Federal

- All funds were expended only on wages and in the correct proportion to non-federal wages.
- All reporting was accurate and timely.
- All community service and literacy requirements were met.
- All statements and notices were included in job descriptions and payroll advices.
- All students paid through the program met enrollment requirements.
- All unexpended awards were released back to ED.
- Administrative cost allowances were used only for allowable purposes
- Timesheets supported hours worked, and hours worked did not conflict with class and lab schedules.
- Awards to students did not exceed financial need.
- All drawdowns were disbursed within 3 days of the drawdown.
- Reconciliations of drawdowns and disbursements were made at least monthly.

### Texas

- All reporting was accurate and timely.
- Students met eligibility standards.
- Awards did not exceed financial need.
- Payments were for eligible periods of work.
- All expenditures were only for student work study.

## Scope & Methodology

The scope of our audit included all Federal and Texas work study expenditures made during the 2015 reporting year. For Federal, that time period was July 1, 2014, through June 30, 2015. For Texas, it was September 1, 2014, through August 31, 2015. We utilized Volume 6, Chapters 1 & 2 of the 2014-2015 Federal Student Aid Handbook for Federal testing, and TAC Title 19, Part 1, Chapter 21, Subchapter M, for Texas testing. Our testing consisted of interviews, reconciliations, and reviews of relevant documentation and disclosures.

## General Observations

Single accreditation has afforded the opportunity to consolidate management of all work study under one office. While there was a general understanding of the various rules when the

activity was de-centralized at the campus level, consolidation appears to already be reaping benefits. An example includes new procedures for approving departments to hire student workers.

### Summary of Finding

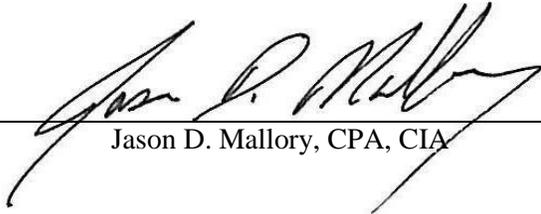
Federal non-compliance issues were noted in the awards expended in the 2015 award year.

### Opinion

Based on the audit work performed, we identified Federal non-compliance issues for the work study awards made in 2015. Going forward, we feel the issues are being addressed by consolidating the management of this activity under one office.

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

Submitted by:



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Jason D. Mallory, CPA, CIA

May 31, 2016

Date

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**AUDIT FINDING DETAIL**

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Finding #1: Federal non-compliance issues were noted in the awards expended in the 2015 award year.

**Criterion:** Various compliance requirements were tested for Federal work studies, including reviewing the accuracy of each of the College's FISAPs, payroll advices, job descriptions, timesheets, and community service and literacy requirements.

**FISAP**

The Fiscal Operations Report and Application to Participate (FISAP) is submitted by October 1 of each year. The FISAP is divided into three main parts: identifying information, application to participate in campus-based programs, and the Fiscal Operations Report in which prior year awards are reported. Part V is the section that reports prior year work study awards, and was the subject of this audit. For two of the campuses, we identified errors related to the salaries earned, and/or the numbers of students reported.

*Recommendation: Going forward, one FISAP will be completed by the College rather than four. We recommend that supporting documentation be maintained for the FISAP so that it can be readily verified.*

**Job Descriptions:**

Written job descriptions are required for each FWS positions. Each job description must include a minimum list of information. We determined through our testing that job descriptions were missing several required elements.

*Recommendation: We recommend that job descriptions and positions be updated to include all required elements.*

**Timesheets & Hours Worked:**

In general, students are not permitted to work in any FWS position during scheduled class times. Exceptions are permitted if the class has been cancelled, or if the student has been excused by the instructor from attending for a particular day. We identified numerous instances where the documented hours worked conflicted with class and/or lab schedules. We were unable to obtain documentation for the conflicts (even though the most likely scenario is that lab work was completed early).

*Recommendation: We recommend supervisors be trained on the importance of not allowing student workers to work during class/lab times. In instances where classes/labs are cancelled and students are allowed to work, we recommend that the documentation of this be noted on the timesheets.*

**Community Service & Literacy Requirements:**

The College must use at least 7% of its FWS allocation for an award year to pay students employed in community service jobs that year. In meeting that requirement, at least one or more of the students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities. At one campus, we determined through discussions with

the supervisor that the literacy requirement was not met, even though it was reported as being met on the FISAP.

*Recommendation: Going forward, because all community service and literacy activities will be managed through one campus, the likelihood for errors and mistakes has been reduced. For the exception noted above, we recommend management explore returning to the ED the \$4,360 paid to the student in 2015 who did not actually perform literacy activities.*

**Consequences:** Possible repayment of improperly spent funds, loss of future funding.

**Possible Solution:** See the individually listed recommendations.

**Management Response:**

**Division:** Governance, Risk, Compliance Division  
 Student Development / Enrollment Management Division  
 Finance Division

**Senior Management:** Ray Rushing, Jeff Kilgore, Jonathan Hoekstra

Task	Brief Description	Responsible Individual	Completion Date
1.1	<b>FISAP :</b> TSTC will be submitting one FISAP for the College. All documentation for the FISAP will be stored in a shared Google folder. Preparation of the FISAP will begin in mid-July each year in order to give ample time for the data to be reviewed for accuracy by all relevant parties, including Financial Aid and Financial Services prior to the due date of October 1.	Jackie Adler Fred Pena	10/01/16
1.2	<b>Job Descriptions:</b> We have developed two core job descriptions and have given the hiring departments the ability to add specific requirements as needed. One core job description is for the Texas Work-study Program and the other is for Federal Work-study Program. Upon requesting a work-study student, hiring managers will complete a Student Employment Needs Assessment Form on which they will complete a job description with roles, responsibilities, qualifications and education requirements as well as preferred skills related to their department needs. These items will be added to the core job descriptions. Job descriptions have been updated to include all required elements.	Blanca Carillo Amanda Oswalt	5/11/2016
1.3	<b>Timesheets &amp; Hours Worked:</b> Work-study students are not permitted to work in any FWS positions during scheduled class times. While exceptions may be permitted, we have chosen not to	Blanca Carillo Amanda Oswalt	5/11/2016 and ongoing



Task	Brief Description	Responsible Individual	Completion Date
	<p>the Marshall campus did not have any Federal Work-study (FWS) students employed in literacy activities. They will review the request and will notify us if we can make the changes to the FISAP. The College will not be required to repay any funds since the students in question were employed in community service activities.</p>		



**Texas Department of Agriculture**  
*Pesticide Inspection Findings*

PI-519

COMMISSIONER SID MILLER

<b>SECTION A</b>	<b><sup>1</sup> VERIFICATION INFORMATION</b>	
	Client Name PAUL WIGGINS	TDA Client No. 00520617
	Facility Name TEXAS STATE TECHNICAL COLLEGE WACO	TDA Account No 0678864

<b>SECTION B</b>	<b><sup>1</sup> INSPECTION INFORMATION</b>			
	Inspection Type Routine		Inspection ID No. 08123160523102607	
	Inspector ID 08123	Inspector Name BRANDI D KELM	Region <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
	Date 05/23/2016 <small>Enter as MM/DD/YYYY</small>	Time 1:36 <input type="checkbox"/> AM <input checked="" type="checkbox"/> PM	County Code 309	County MCLENNAN

<b>SECTION C</b>	<b><sup>1</sup> FINDINGS</b>
	<b><sup>2</sup> REMARKS</b>
	Routine NonComm polit inspection.



**Texas Department of Agriculture**  
**Notice of Inspection**

**PI-500**

COMMISSIONER SID MILLER

<b>SECTION A</b>	<b><sup>1</sup> VERIFICATION INFORMATION</b>	
	Client Name PAUL WIGGINS	TDA Client No 00520617
	Facility Name TEXAS STATE TECHNICAL COLLEGE WACO	Account No Expiration 0678864 08/31/2016

<b>SECTION B</b>	<b><sup>1</sup> INSPECTION INFORMATION</b>			
	Inspection Type Routine		Inspection ID No. 08123160523102607	
	Inspector ID 08123	Inspector Name BRANDI D KELM	Region <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5	
	Date 05/23/2016 <small>Enter as MM/DD/YYYY</small>	Time 12:53 <input type="checkbox"/> AM <input checked="" type="checkbox"/> PM	County Code 309	County MCLENNAN

<b>SECTION C</b>	<b><sup>1</sup> INCIDENT INFORMATION</b>	
	TDA Incident No.	TDA Complaint No.

<b>SECTION D</b>	<b><sup>1</sup> PERSON INTERVIEWED</b>		
	First Name Paul	M. I.	Last Name Wiggins
	<b><sup>2</sup> FACILITY ADDRESS</b>		
	Address 620 OPERATIONS RD		
	City WACO	State TX	Zip 76705
			Phone (245) 744-1943

<b>SECTION E</b>	<b>You are hereby notified that an inspection is to be conducted:</b>	
	<input checked="" type="checkbox"/> Inspection of records, land, equipment, or products associated with the application of pesticides, including copying of records and sampling of the preceding items, is authorized by Chapters 76 and 125 of the Texas Agriculture Code, including Sections 76.151 and 125.016 and/or the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 <i>et. seq.</i>	
	<input type="checkbox"/> Inspection of records and other items or matters related to your business operations or licensed activities, including copying of records, is authorized by Chapter 1951 of the Texas Occupations Code, including Sections 1951.204, 1951.207, and 1951.452 and/or the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 <i>et. seq.</i>	
<b>An administrative penalty not to exceed \$5,000 may be assessed, per day or per occurrence, against a person who refuses a lawful inspection and/or fails to provide requested copies of records.</b>		

Legal Business Name TEXAS STATE TECHNICAL COLLEGE WACO

SECTION F	<b><sup>1</sup> SPECIAL CIRCUMSTANCES</b>		
	Did this entity refuse inspection? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	If yes, enter name and title of person who refused inspection		
	Name	Title	
	Is this entity currently in operation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
	<b><sup>2</sup> INSPECTION ATTEMPTS</b>		
	Were you able to conduct an inspection at the business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, why? <input type="checkbox"/> Unable to locate <input type="checkbox"/> Unable to contact <input type="checkbox"/> Other (explain in remarks)		
	Does this entity request an appointment? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	Purpose of Inspection: <input checked="" type="checkbox"/> State <input type="checkbox"/> Federal	Is this a Federal facility inspection? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	EPA Credential No.
	Is a violation suspected? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If Yes, please list below.)		
Suspected Violation(s)			
Remarks:			

SECTION G	<b><sup>1</sup> SAMPLE COLLECTIONS</b>		
	Are Formulation Samples being requested? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	If Yes, how many? 0		
	Are Routine Documentary Samples being requested? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
If Yes, how many? 0			
Are Residue Physical Samples being requested? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
If Yes, how many? 0			



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
<b>No new issues were reported this quarter.</b>				

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.