



# TEXAS STATE TECHNICAL COLLEGE

## Internal Audit Annual Report Fiscal Year 2019

Prepared by  
Jason D. Mallory, Director of Audits

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## I. Internal Audit Plan for FY 2019

The Board of Regents approved the original internal audit plan for fiscal year 2019 on August 9, 2018, with Minute Order #13-18. There were no revisions to the plan.

This audit plan was prepared using risk assessment techniques as required by the Texas Internal Auditing Act. Prior to August 31, 2019, 12 internal audits, 7 investigations, 8 audits/reviews by external regulatory agencies, and 1 financial statement audit by an independent CPA firm. After August 31, 2019, 3 internal audits and 1 investigation began in FY 2019 reports were completed. Finally, there were 2 internal audits from the FY 2019 internal audit plan, 5 audits by external regulatory agencies, 1 consulting project still in progress with no reports yet issued at the time this annual report was being prepared.

Texas Government Code §2102.005(b) requires a state agency to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts. To comply with this provision, an internal audit of contract compliance is conducted annually. At the time of this report, that audit for FY 2019 was in progress.

No audits were performed in FY 2019 to test benefits proportionality, however, an internal audit and an audit by the State Auditor's Office was conducted in FY 2018 with no material issues identified. An audit of this topic is scheduled to be performed in FY 2020 in accordance to the audit guidelines established by the State Auditor's Office.

### Fiscal Year 2019 Internal Audit Plan

| Project Description                                      | Division/Campus                     | Report Number | Report Date                                 | Status      |
|----------------------------------------------------------|-------------------------------------|---------------|---------------------------------------------|-------------|
| TEC §51.9337<br>(Contracting) Audit <sup>Note 2</sup>    | Finance                             |               |                                             | In progress |
| TAC 202 (IT Security)<br>Audit                           | Office of Information<br>Technology | 19-012A       | 10/5/18,<br>1/11/19,<br>4/12/19,<br>7/12/19 | Complete    |
| THECB Facilities Audit                                   | Facilities -West Texas<br>Campus    | 19-006A       | 11/28/18                                    | Complete    |
| THECB Facilities Audit                                   | Facilities – Marshall<br>Campus     | 19-007A       | 11/28/18                                    | Complete    |
| Integrated Admissions<br>Process Audit <sup>Note 1</sup> | Student Services                    | 19-017A       | 9/30/19                                     | Complete    |
| TRS Contributions Audit                                  | Human Resources                     | 19-005A       | 12/20/18                                    | Complete    |
| Internal Penetration Test                                | North Texas<br>Campus/OIT/Security  | 19-011A       | 2/13/19                                     | Complete    |
| Internal Penetration Test                                | Ft. Bend Campus                     | 19-015A       | 3/29/19                                     | Complete    |

|                                      |                                     |         |          |             |
|--------------------------------------|-------------------------------------|---------|----------|-------------|
| Google Drive Security Audit          | Office of Information Technology    | 19-004A | 12/10/18 | Complete    |
| Workplace Harassment Audit           | Human Resources                     | 19-014A | 6/10/19  | Complete    |
| Challenger Center Audit<br>Note 1    | Student Learning (Waco Campus)      | 19-018A | 9/4/19   | Complete    |
| Challenger Center Audit<br>Note 1    | Student Learning (Harlingen Campus) | 19-019A | 9/4/19   | Complete    |
| Graduation Process Audit             | Student Services                    | 19-008A | 4/9/19   | Complete    |
| Maxient Software Audit               | Student Discipline/OIT              | 19-003A | 2/25/19  | Complete    |
| C4EO (Skills Engine) Audit<br>Note 2 | C4EO                                |         |          | In progress |
| Fixed Asset Follow-up Audit          | Inventory Control/Statewide         | 17-023A | 7/12/19  | Complete    |
| Safety & Security Follow-up Audit    | Safety & Security/Statewide         | 18-012A | 7/12/19  | Complete    |

**Notes:**

- 1 Audit was completed after August 31, 2019. The report(s) will be presented to the Board of Regents on November 14, 2019.
- 2 Audit was completed after August 31, 2019. The report(s) will be presented to the Board of Regents at their Winter 2020 meeting.

## II. Summary of Audit Findings and Corrective Action Plans for Audits Conducted in FY 2019

Twelve of the 17 internal audits from the FY 2019 audit plan were completed before August 31, 2019, with 3 more completed in September 2019. The remaining 2 scheduled audits (TEC §51.9337 (Contracting) & C4EO) were in progress at the time of this report. There were also 4 FY 2018 audits that were completed in early September 2018. All the audits, with the exception of the 2 still in progress, are detailed in the following table.

| Report # | Date    | Audit                             | Division/ Campus          | Summary of Findings                                                                                                                                                            | Status & Summary of CAPs                                                                                                            |
|----------|---------|-----------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| 18-046A  | 8/16/18 | Internal Network Penetration Test | OIT – West Texas Campuses | Security of information and assets could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit. | <b>Ongoing:</b> Activity Directory is still in the process of being implemented.                                                    |
| 18-044A  | 8/16/18 | Culinary Arts Program             | Waco Campus               | Expenses related to the non-instructional part of the catering operation should be paid from a Fund 4 account, similar to other auxiliary operations.                          | <b>Fully Implemented:</b> A local account was established and being used.                                                           |
|          |         |                                   |                           | Controls associated with food inventory, cash, and food handling certifications need to be improved.                                                                           | <b>Fully Implemented:</b> Frequent inventory, track food handler's certificate, and have a separate person reconcile cash deposits. |
| 18-043A  | 8/16/18 | Culinary Arts Program             | Harlingen Campus          | Controls associated with food inventory and cash handling                                                                                                                      | <b>Fully Implemented:</b> Frequent inventory, track food handler's certificate, and have a                                          |

|         |          |                                                      |                     |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                 |
|---------|----------|------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |          |                                                      |                     | need to be improved.                                                                                                                                                                                                    | separate person reconcile cash deposits.                                                                                                                                                                                                                                                                                                        |
| 18-047A | 10/2/18  | Annual Compliance Audit of TEC 51.9337 (Contracting) | Finance             | A single contracting policy noting specific requirements of TEC §51.9337 has been created, however, still needs to be adopted by the Board of Regents.                                                                  | <b>Fully Implemented:</b> Policy was submitted to the Board and approved.                                                                                                                                                                                                                                                                       |
|         |          |                                                      |                     | We identified exceptions related to employee training on contracting procedures, conflict of interest procedures, the contract management handbook missing some current procedures, and other documentation exceptions. | <b>Fully Implemented:</b> Training was conducted, Conflict of Interest disclosures were obtained from employees, Delegation of Authority has been updated, Contracting Handbook has been updated, risk analysis procedures will be included in the Handbook, and verifying debarred vendor will be included as part of contract review process. |
| 19-006A | 11/28/18 | Facilities Development Project Compliance Audit      | West Texas Campuses | No material exceptions.                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                 |
| 19-007A | 11/28/18 | Facilities Development Project Compliance Audit      | Marshall Campus     | No material exceptions.                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                 |

|         |                    |                                                |                                    |                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                           |
|---------|--------------------|------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19-004A | 12/10/18           | Audit of Google Drive                          | OIT                                | While the majority of the minimally required TAC 202 controls are in place for the Google Drive, we found 12 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Google Drive, we feel priority should first be given to access and security controls. | <b>Ongoing:</b> For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks. IT believes they can have these implemented by June 2019. |
| 19-005A | 12/20/18           | Audit of TRS Retirement Benefits Participation | Human Resources                    | Processes related to employees electing ORP and processes related to TRS contributions for employees need improvement.                                                                                                                                                                                                                                 | <b>Fully Implemented:</b> Implement a form for all new hires signifying their election, perform a reconciliation each semester for all employees working less than 12 hours per week.                                                                                                                                                                     |
| 19-013A | 1/2/19,<br>4/11/19 | Audit of Police Evidence Room                  | Police – Harlingen & Waco Campuses | No material exceptions.                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                           |
| 19-011A | 2/13/19            | Internal Network Penetration Test              | OIT – North Texas Campus           | Security of information and assets could be improved by informing campus employees of the                                                                                                                                                                                                                                                              | <b>Fully Implemented:</b> All employees were informed, and the physical issue in the Learning Resource Center was corrected.                                                                                                                                                                                                                              |

|         |         |                                   |                       |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                    |
|---------|---------|-----------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |         |                                   |                       | results of this project, and re-educating them on the risks we were able to exploit.                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                    |
| 19-003A | 2/25/19 | Audit of the Maxient Application  | OIT                   | While the majority of the minimally required TAC 202 controls are in place for the Maxient, we found 19 that still need attention. Those include deficiencies related to access and security. Since sensitive or important information is stored within the Maxient, we feel priority should first be given to access and security controls. | <b>Ongoing:</b><br>For the controls not yet implemented, we are evaluating the associated risk to TSTC and associated applicability in our environment to Prioritize implementation. IT Security along with TAC 202 compliance is a priority for TSTC to reasonably and effectively control risks. |
| 19-015A | 2/13/19 | Internal Network Penetration Test | OIT – Ft. Bend Campus | Security of information and assets could be improved by informing campus employees of the results of this project, and re-educating them on the risks we were able to exploit.                                                                                                                                                               | <b>Fully Implemented:</b><br>Cameras and printers were locked down, employees were retrained.                                                                                                                                                                                                      |
| 19-008A | 4/9/18  | Graduation Process Audit          | Student Services      | Internal controls need to be improved to ensure certification requirements are always met,                                                                                                                                                                                                                                                   | <b>Ongoing:</b> Implement central processing center, and remove the requirement to apply for graduation before being recognized as a                                                                                                                                                               |



|         |         |                                   |                     |                                                                                                                                                                         |                                                                                                                                                                                            |
|---------|---------|-----------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |         |                                   |                     | and well documented.                                                                                                                                                    | graduate.                                                                                                                                                                                  |
| 19-014A | 6/10/19 | Workplace Harassment Audit        | Human Resources     | Current policies and procedures related to workplace harassment can be improved by implementing several of the recommendation offered by the EEOC in their 2016 report. | <b>Ongoing:</b> Implement a single policy, send frequent reminders of expectations.                                                                                                        |
| 19-012A | 7/12/19 | TAC 202                           | OIT                 | We determined that 103 controls were implemented with 32 still needing attention.                                                                                       | <b>Ongoing:</b> 32 controls for Colleague and/or PerCon were still being implemented.                                                                                                      |
| 17-023A | 7/12/19 | Fixed Asset Follow-up Audit       | Statewide           | Transfer of assets from one custodian to another are not being performed timely.                                                                                        | <b>Ongoing:</b> Will improve the transfer process and make it more timely.                                                                                                                 |
| 18-012A | 7/12/19 | Safety & Security Follow-up Audit | Statewide           | There was a need to standardize safety processes between campuses, and to better establish organizational expectations and accountability in regards to safety.         | <b>Fully Implemented:</b> Implemented a method for tracking safety issues, standardized inspection process and signage, hold frequent meetings, track injuries and improve related issues. |
| 19-017A | 9/30/19 | Admissions Audit                  | Enrollment Services | Application processes need to be improved to ensure documentation is standardized, and communications                                                                   | <b>Ongoing:</b> Implement vs 2.0 which will include enhanced procedures for admissions, as well as communication practices.                                                                |

|         |         |                                                                |     |                                                                                                                                                                                                                                                                            |                                                                                                                                                                    |
|---------|---------|----------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         |         |                                                                |     | with applicants are timely.                                                                                                                                                                                                                                                |                                                                                                                                                                    |
|         |         |                                                                |     | Access to admissions and enrollment related mnemonics in Colleague needs to be better restricted.                                                                                                                                                                          | <b>Ongoing:</b> Will review access and remove as necessary.                                                                                                        |
| 19-017A | 9/30/19 | Audit of Target X Application – IT portion of Admissions Audit | OIT | We found 27 TAC 202 controls that need to be implemented for Target X. The most significant deficiencies relate to access and system security, especially since personally identifiable information of prospective students is captured and accessible through the system. | <b>Ongoing:</b> We will begin evaluating each missing control, and by September 2020 implement those controls that are cost effective and beneficial to implement. |
| 19-017A | 9/30/19 | Audit of Informatica Server – IT portion of Admissions Audit   | OIT | We found 15 TAC 202 controls that need to be implemented on the Informatica Server. The most significant deficiencies relate to access and system security, especially since personally identifiable information of prospective students is stored                         | <b>Ongoing:</b> We will begin evaluating each missing control, and by September 2020 implement those controls that are cost effective and beneficial to implement. |

|                   |        |                             |                           |                                                                                                                                                                           |                                                                                                                    |
|-------------------|--------|-----------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
|                   |        |                             |                           | on the Server.                                                                                                                                                            |                                                                                                                    |
| 19-018A & 19-019A | 9/4/19 | Challenger Learning Centers | Waco & Harlingen Campuses | Risks associated with minors on campus would be better managed by performing enhanced background checks on CLC employees, and requiring them to attend periodic training. | <b>Ongoing:</b> Determine whether Fingerprint checks are allowed by DPS, and each employee will complete training. |
|                   |        |                             |                           | Accounting processes for revenue need to be improved.                                                                                                                     | <b>Ongoing:</b> Record unearned revenue until missions take place. Validate the accounts monthly.                  |

### III. List of Consulting Engagements and Non-audit Services Completed in FY 2019

Eight consulting and non-audit type of services were *completed* in FY 2019. The following schedule summarizes those projects.

| Report # | Date    | Project Description             | Division /Campus   | Summary of Observations and Recommendations                                                                                                                               | Status & Summary of CAPs                                                                                                                                                                                                                     |
|----------|---------|---------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19-010   | 10/5/18 | Vending Machine Investigation   | Auxiliary Services | Determined vending machines were charging the correct amounts.                                                                                                            |                                                                                                                                                                                                                                              |
| 19-009I  | 2/28/19 | Helicopter Vendor Investigation | Student Learning   | Did not identify any inappropriate training performed by the vendor. Identified opportunities to improve accounting, purchasing, and flight tracking processes.           | <b>Substantially Complete:</b><br>Accounting processes will be managed by Accounting personnel, access to the 141 system will be restricted, students will be charged the appropriate rates, and refunds to the VA will be made more timely. |
| 19-016I  | 3/1/19  | HVAC Donation Investigation     | Student Learning   | Small quantities of duct board were being received through a trade organization. The product is not restricted use requiring a special license to accept, handle, or use. |                                                                                                                                                                                                                                              |
| 19-023I  | 5/18/19 | Diploma Investigation           | Harlingen Campus   | A student was not given his diploma a year after requesting it.                                                                                                           | <b>Fully Implemented:</b><br>The diplomas was immediately issued.                                                                                                                                                                            |

|         |         |                          |                                     |                                                                                                                                    |                                                                                                                                                                                                           |
|---------|---------|--------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19-029I | 7/12/19 | Student Learning         | Dual Enrollment Investigation       | Determined that a complaint directed at dual enrollment was not related to TSTC, rather Ft. Bend ISD.                              |                                                                                                                                                                                                           |
| 19-022I | 7/23/19 | Student Learning         | Skills USA                          | Determined that the Skills USA organization relied heavily on the College to run its statewide competition.                        | <b>Fully Implemented:</b> Competition has been moved to another college.                                                                                                                                  |
| 19-028I | 8/27/19 | Culinary Investigation   | Student Learning                    | Did not find employees were misusing College resources.                                                                            |                                                                                                                                                                                                           |
| 19-027I | 9/27/19 | Related Party Purchasing | Student Learning (Harlingen Campus) | Determined that an instructor-owned company sold equipment to the College. The transaction was disclosed prior to it taking place. | <b>Ongoing:</b> Going forward, similar transactions will not be approved. Federal funds were not used in 2019 for this transaction, and 2018 funds will be disclosed to the appropriate funding agencies. |

#### IV. External Audit Services Procured in FY 2019

In FY 2018, one delegation request (#719-2018-001) was requested for an audit of the College's FY 2018 financial statements by an independent public accounting firm. This audit was completed in FY 2019. In addition, 8 other audits or reviews were completed by external regulatory agencies. The following schedule summarizes those projects.

| Agency                 | Date    | Project Description                                                                          | Division/Campus                 |
|------------------------|---------|----------------------------------------------------------------------------------------------|---------------------------------|
| State Comptroller      | 8/27/18 | Reviewed the College's charge card program.                                                  | Finance                         |
| State Auditor's Office | 2/28/19 | Verified noted federal compliance exceptions related to previous Single Audit was corrected. | Financial Aid - Marshall Campus |
| BKD                    | 2/12/19 | Audited the FY 2018 financial statements as part of the SACSCOC review.                      | Finance                         |
| State Comptroller      | 2/28/18 | Audited purchasing compliance.                                                               | Finance                         |
| THECB                  | 6/7/19  | Reviewed 2016 Perkins funds.                                                                 | Harlingen Campus                |
| THECB                  | 7/17/19 | Reviewed 2016 Perkins funds.                                                                 | Marshall Campus                 |
| THECB                  | 7/19/19 | Reviewed 2016 Perkins funds.                                                                 | West Texas Campuses             |
| THECB                  | 8/8/19  | Reviewed 2016 Perkins funds.                                                                 | System Operations               |
| THECB                  | 8/20/19 | Reviewed 2016 Perkins funds.                                                                 | Waco Campus                     |

## V. Internal Audit Plan for FY 2020

The plan was developed through a collaborative effort between Internal Audit, Executive Management, Senior Management, and the Board of Regents.

Executive Management and the Board of Regents first rated the priority of the following seven risks:

1. Financial Risk
2. Accounting Risk
3. Strategic Risk
4. Fraud Risk
5. Regulatory/Compliance Risk
6. Safety Risk
7. Customer Service Risk

They were also requested to provide a list of specific audits they wanted performed.

Senior Management then completed a risk assessment for each major activity or process within their responsibility. The seven risks prioritized by Executive Management and the Board of Regents were incorporated in those risk assessments. Sixty one activities and processes were assessed. Senior Management was also requested to provide a list of specific audits.

Internal Audit assigned scores to the major activities and processes based upon the results of the risk assessments and risk priorities.

Finally, all regulatory required audits were identified by Internal Audit.

Internal Audit first selected all required audits, which amounted to three. We then selected audits with the highest risk scores and that touched the most individual risks and covered specific requests. Other than the areas actually selected for audit, consideration was given to risks associated with cloud computing, workforce development contracts, grants (particularly Skills Development grants), Titles IV & IX compliance, customer service, Foundation Accounting, and procurement cards. An audit related to benefits proportionality was also selected to review compliance for in FYs 2017, 2018, and 2019. The TEC §51.9337 (Contracting) Audit is intended to satisfy the annual contracting audit requirement.

This planning process yielded the following audit plan for FY 2020:

| Audit Name                                                                         | Budgeted Hours |
|------------------------------------------------------------------------------------|----------------|
| TEC §51.9337 (Contracting) Audit – satisfies annual audit requirement of contracts | 350            |
| TAC 202 (IT Security) Audit – satisfies biennial audit requirement                 | 450            |

|                                                                                        |     |
|----------------------------------------------------------------------------------------|-----|
| Public Funds Investment Act Compliance Audit – satisfies biennial audit requirement    | 350 |
| Audit of Airport Operations                                                            | 650 |
| Bookstore Audit (Waco Campus)                                                          | 400 |
| Bookstore Audit (Harlingen Campus)                                                     | 400 |
| Bookstore Software Audit – will TAC 202 controls                                       | 300 |
| Jeanne Clery Disclosure of Campus Security Policy & Campus Crime Statistics Act Audit: | 450 |
| Accounting Controls Audit                                                              | 450 |
| IT Field Support Audit                                                                 | 400 |
| IT Help Desk Audit                                                                     | 400 |
| Internal Network Penetration Test (Waco Campus)                                        | 350 |
| Internal Network Penetration Test (Harlingen Campus)                                   | 350 |
| Internal Network Penetration Test (East Williamson County Campus)                      | 350 |
| Career Services Audit                                                                  | 400 |
| PCI Follow-up Audit                                                                    | 365 |
| Benefits Proportionality Audit – satisfies General Appropriations requirement.         | 450 |



## VI. Reporting Suspected Fraud and Abuse

TSTC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the 86<sup>th</sup> Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

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

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

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

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

To comply with the requirements, TSTC Internal Audit will submit its Internal Audit Annual Report to the College's website coordinators to be posted on the Internal Audit section of the College's website no later than 30 days after the TSTC Board of Regents approves the current year audit plan at its August meeting. This report includes all the required elements required by TGC, Section §2102.015.

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

An External Quality Assurance Review of the Internal Audit Department was completed on August 30, 2018, by Terry Corrigan and Courtney Holden. Mr. Corrigan is the Internal Audit Director with Houston Community College. Mr. Holden is an Internal Auditor with that same college. Both were entirely independent from all auditors employed by the TSTC Internal Audit Department.

The results of the review indicated that TSTC Internal Audit Department generally conforms to standards. The Department was also commended for several practices it facilitates and engages in. A copy of the original report is attached.



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August 30, 2018

Mr. Ivan Andarza, Vice Chairman & Chair of the Audit Committee  
Mr. Jason Mallory, Director, Internal Audit  
Texas State Technical College  
3801 Campus Drive  
Waco, Texas 76705

Dear Mr. Andarza and Mr. Mallory,

At your request in the engagement letter dated January 5, 2018, we performed an external quality assurance review (EQAR) on the Internal Audit Department of Texas State Technical College (TSTC). The review included an independent validation of the assertions and conclusions made in the Internal Quality Assessment Review Report issued by Ms. Tahlia Pena, Manager of Internal Audits for TSTC, on November 21, 2016. The primary objective of our engagement was to provide an independent opinion on whether the internal auditing program, overseen by Mr. Mallory at TSTC, achieves the basic requirements expected of internal auditing activities at all institutions of higher education supported by the State of Texas, as asserted by the Internal Quality Assessment Review Report previously mentioned. Those requirements are set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the Institute of Internal Auditors' (IIA's) *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and the U.S. Government Accountability Office *Generally Accepted Government Auditing Standards*. For purposes of this review, we collectively refer to these as the *Standards*.

The EQAR was performed by Terry Corrigan, Internal Audit Director for Houston Community College (HCC), and Courtney Holden, Internal Auditor for (HCC). We attest that we are independent from all internal audit activities at TSTC, and have the requisite skills and knowledge to undertake the engagement.

### **Opinion Rating Definitions**

The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

- *Generally conforms* means that the Internal Audit Department has the relevant structures, policies, procedures, and an audit charter that comply with the *Standards* in all material respects; however, opportunities for improvement may exist.

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

### **Scope and Work Performed**

The review was performed in accordance with the State Agency Internal Audit Forum Peer Review Guidelines using the Master Peer Review Program. It included all TSTC internal audit activities from September 2015 through June 2018, and consisted of the following:

- Review of the self-assessment documents;
- Interviews with you, the Board of Regents (BOR) Chairman, a BOR Audit Committee member, the Chancellor, other Chief Officers, and all internal audit staff members;
- A survey of a sample of managers who recently participated in internal audits; and
- Review of two audit projects working papers completed during the review period.

### **Results and Opinion**

The results of our review confirmed compliance with the *Standards*. The interviews and survey results indicated the Internal Audit Department and its methods are very much valued and appreciated at TSTC.

We concur fully with the assertions and conclusions stated in the Quality Assurance Review Self-Assessment Report dated November 21, 2016. In our opinion, the TSTC Internal Audit Department ***generally conforms*** to the *Standards* for the period under review and no significant opportunities for improvement were observed.

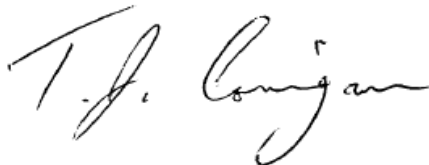
### **Best Practices Observed**

We commend the following best practices observed:

- Facilitating the quarterly leadership attestations;
- Facilitating the annual TSTC risk management assessment as part of the annual audit planning process;
- Issuing management letters for consideration on less significant or outside of audit project's scope observations; and
- Assisting with creating and participation with the Continuous Improvement Action Group.

We would like to express our thanks for the time and assistance given by you and your staff to expedite the review. We appreciated the opportunity to review your internal auditing practices and the sharing of best practices ideas.

Sincerely,



Terry Corrigan, CPA, CIA, CFE  
Houston Community College  
Director, Internal Audit



Courtney Holden, CFE  
Houston Community College  
Internal Auditor

Copies:

Mike Reeser, Chancellor  
John Hatchel, Chairman of the Board  
Ellis Skinner, Regent  
Tiffany Tremont, Regent  
Keith Honey, Regent  
Tony Abad, Regent  
Pat McDonald, Regent  
Curtis Cleveland, Regent  
Alejandro Meade, Regent  
Elton Stuckly, EVC  
Rick Herrera, VC  
Jonathan Hoekstra, VC  
Ray Rushing, VC  
Gail Lawrence, VC  
Jeff Kilgore, VC  
Michael Bettersworth, VC  
Roger Miller, VC