

Meeting of the Board of Regents

Audit Committee

May 9, 2024
Marshall, Texas



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

**Industrial Technology Center
2650 E End Blvd S, Marshall, TX 75672***

**Thursday, May 9, 2024
9:30 a.m.**

AGENDA

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

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

II. COMMITTEE CHAIR COMMENTS

III. MINUTE ORDERS & REPORTS

- | | |
|---|------|
| 1. Status of Fiscal Year 2024 Audit Schedule & Other Projects | A-1 |
| <i>Jason D. Mallory</i> | |
| 2. Status of Construction Audits | A-4 |
| <i>Jason D. Mallory</i> | |
| 3. Summary of Audit Reports | A-5 |
| <i>Jason D. Mallory</i> | |
| 4. Follow-up Schedule & Status | A-7 |
| <i>Jason D. Mallory</i> | |
| 5. Payment Card Industry Data Security Standard (PCI DSS) Audit (24-002A) | A-13 |
| <i>Jason D. Mallory</i> | |
| 6. Safety & Security Audit (24-007A) | A-19 |
| <i>Jason D. Mallory</i> | |
| 7. TAC 202 Compliance – Quarterly Update | A-32 |
| <i>Jason D. Mallory</i> | |

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

(c) denotes Consent Agenda Item

8. Summary: State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023	A-36
<i>State Auditor's Office</i>	
9. Summary: State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023	A-41
<i>State Auditor's Office</i>	
10. Summary: Report on Full-time Equivalent State Employees for Fiscal Year 2023	A-58
<i>State Auditor's Office</i>	
11. Attestation Disclosures	A-75
<i>Jason D. Mallory</i>	

IV. CHANCELLOR COMMENTS

V. BOARD COMMENTS

VI. ADJOURN

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

(c) denotes Consent Agenda Item



**Texas State Technical College
Internal Audit
Status of Fiscal Year 2024 Audit Schedule & Other Projects**

Description	Division/Campus	Status	Project No.	Report Date	Last Audit Date	Audit Reason
INTERNAL AUDITS						
Accounting Controls Audit	Foundation/Finance	Complete	24-001A	9/6/23	9/9/22	Risk Based
Pubic Funds Investment Act Compliance Audit	Finance	Complete	24-005A	11/10/23	9/24/21	Required every 2 years
Grant Audit	Office of Sponsored Programs	Complete	24-008A	12/4/23	-	Risk Based
Payment Card Industry (PCI) Audit	OIT	Complete	24-002A	2/12/24	5/14/18	Risk Based
Safety & Security Audit	Safety	Complete	24-007A	3/22/24	4/12/21	Risk Based
TAC 202 Follow-up Audit	OIT	In Progress	24-009A	3/31/24	10/31/202, 12/31/2023	Required Bi-annually
Procurement Cards Audit	Procurement	In Progress			-	Risk Based
CRIMES System TAC 202 Audit	Police/OIT	In Progress			-	Risk Based
Student Grievance Process Audit	Operations	In Progress			-	Risk Based
Internal/External Quality Assessment Review	Internal Audit	In Progress			7/15/21	Required every 3 years
Internal Network Penetration Test	West Texas Campuses				3/26/21	Risk Based
Internal Network Penetration Test	Marshall Campus				12/14/20	Risk Based
TEC 51.9337 (Contracting) Audit	Contract Office				5/18/23	Required Annually
Fleet Management Audit	Fleet				5/11/11	Risk Based
Construction Audits	Facilities, Planning & Construction		24-006A			
JBC Remodel		In Progress			-	Risk Based
Waco Annex		In Progress			-	Risk Based
Abilene CCAP		In Progress			-	Risk Based
Waco CCAP		In Progress			-	Risk Based
Marshall CCAP		In Progress			-	Risk Based
Fort Bend CCAP		In Progress			-	Risk Based
EEC & TSC Renovation		In Progress			-	Risk Based
Harlingen CCAP		In Progress			-	Risk Based

EXTERNAL AUDITS

FMLA Investigation performed by the Department of Labor - determined the complaint by former employee had no merit.	HR	Complete		11/20/23		
Summary - State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023 by the State Auditor's Office	Finance	Complete	SAO 24-555	2/22/24		
Summary - State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023 by the State Auditor's Office	Finance	Complete	SAO 24-316	2/22/24		
Summary - Report on Full-time Equivalent State Employees for Fiscal Year 2023 by the State Auditor's Office	HR	Complete	SAO 24-703	2/22/24		
Post Payment Audit performed by the Comptroller's Office	Procurement, Accounting	In Progress				

OTHER INTERNAL PROJECTS

Internal Hotline: Received an anonymous concern of potential illegal drug use in a dorm. Results: The report was forwarded to housing personnel and the police for review and resolution. As of 12/11/2023, drug use has not been observed.	Housing - Waco	Complete	24-016I	N/A
Internal Hotline: Received an anonymous concern from a parent complaining about being required to purchase a meal plan. Results: The report was forwarded to Campus Services to consider whether there opportunities to improve meal plan guidelines. IA considered this a management matter, and not representative of fraud, waste, and abuse.	Campus Services	Complete	24-011I	N/A
Internal Hotline: Received an anonymous report of an instructional designer having a second job. There were no details regarding conflict of time, misuse of equipment, etc. Results: This was forwarded to the AVC - Instructional Shared Services. The instructional designer completed a conflict of interest disclosure that will be considered by the COI committee. His supervisors do not feel he has a conflict, but the COI committee will make the final determination.	Operations	Complete	24-010I	12/20/23
Management Report: Received a report that an employee misused her travel card. Results: Identified almost \$800 in either disallowed or wasteful purchases. Employee was terminated prior to the completion of the review for an unrelated performance matter.	Accounts Payable	Complete	24-013I	1/9/24
Internal Hotline: Received an anonymous concern of inappropriate hiring practices. Results: The report was forwarded to HR for investigation. They did not find evidence of inappropriate hiring practices.	Retention Services	Complete	24-014I	2/19/24
Internal Hotline: Received an anonymous complaint that of inconsistent practices related to offsite team building, and a lack of transparency of raises and bonuses. Results: The report was forwarded to Operations staff and HR. Offsite meetings require upper level approval, the intent of such meetings being aligned with departmental goals. It was also discovered that management were trained in the merit cycle and share information with their employees. No wrongdoing was identified.	Retention Services	Complete	24-015I	2/19/24

<p>Internal Hotline: Received 3 separate anonymous concerns related to student retention practices conflicting sometimes with enrollment goals, CARE team concerns and other accusations directed towards management of those areas. Results: The reports were referred to the managers in those areas. Management spoke with specific employees on the Waco campus to explain retention practices. They reviewed Maxient reports, and determined reports were acted on timely. And revised language to more clearly communicate to people making reports fo concerns that those concerns are being received and acted upon. There is no evidence that wrongdoing took place.</p>	Retention Services	Complete	24-012I, 20I & 21I	2/25/24
<p>Request by management: Expressed concerns about certain data on a tax related document. Results: Work is in progress to verify the issue, its implications, and the best course of corrective action.</p>	Payroll	In progress		

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

**Construction Audits
Status Report
March 25, 2024**

In Progress

TSTC - Project Name	Contractor	Estimated Substantial Completion	GMP	Agreed to Audit Issues	Audit Cost	Status from R. L. Townsend Construction Audit Services
JBC Remodel	Imperial	02/28/2024	\$ 13,020,898	\$ 30,693	\$ 16,500	Audit Entrance Meeting 4/26/2023 2/28/2024 - AQ Log sent with cost reviewed thru PA 13, 1/31/2024 With added changes, Imperial estimates the final Pay App to be May
Marshall CCAP	Bartlett Cocke	11/01/2024	\$ 9,163,093	TBD	\$ 16,500	Audit Entrance Meeting 2/14/2024 Bartlett Cocke in process of uploading requested documentation
Waco Annex	Mazanec	12/05/2024	\$ 12,000,000	TBD	\$ 16,500	Audit Entrance Meeting 8/17/2023 Initial Pay App Review - Pay Apps 1-4, 12/31/2023 Met with Mazanec and TSTC Construction Team to discuss backup GC Payroll Review in Process
Haringen CCAP	JT Vaughn	04/22/2025	\$ 46,526,257	TBD	\$ 52,000	Engaged - Entrance Meeting TBD
EEC & TSC Reno (CSP)	Imperial	04/29/2025	\$ 9,300,000	TBD	\$ 8,500	Engaged - Entrance Meeting TBD
Fort Bend CCAP	JT Vaughn	08/01/2025	\$ 42,000,000	TBD	\$ 48,000	Audit Entrance Meeting 2/22/2024 Initial audit document request received Initial Review in Process - Pay Application & GC Payroll Rates
Abilene CCAP	Imperial	TBD	\$ 20,000,000	TBD	\$ 22,000	Audit Entrance Meeting 11/15/2023 Construction start pending NTP
Waco CCAP	Rogers O'Brien	TBD	\$ 59,600,000	TBD	\$ 65,000	Audit Entrance Meeting 11/17/2023 GMP Review with Construction Team R-O updated they have started to mobilize R-O requested an April audit check-in meeting
Total			\$ 211,610,248	\$ 30,693	\$ 245,000	

Complete

TSTC - Project Name	Contractor	Substantial Completion	Final Contract Value	Audit Recovery	Audit Cost	Status from R. L. Townsend Construction Audit Services
Griffith Hall	Lee Lewis	completed	\$ 21,212,688	\$ 278,281	\$ 15,000	Final Report Issued 7/20/2022
FTB Welding	Bartlett Cocke	completed	\$ 8,089,004	\$ 55,977	\$ 11,000	Final Report Issued 8/24/2023
Total			\$ 29,301,692	\$ 334,258	\$ 26,000	
Grand Total			\$ 240,911,940	\$ 364,951	\$ 271,000	



**Texas State Technical College
Internal Audit
Summary of Audit Reports**

Report Name & No.	Audit Finding	Summary of Finding Support	Management's CAP(s)	Resp. Sr Mgr	Expect. Complete Date
<p>PCI Audit (24-002A)</p>	<p>1. Twenty four of the 103 applicable controls we tested require attention. Primarily, those controls required better documentation. But, we did identify opportunities to improve anti-virus software implementation, multi-factor authentication, and the incident response plan.</p>	<p>Improve configuration, management, and risk analysis; point of interaction devices should be better tracked and periodically inspected; some workstations did not have up to date anti-virus software; password management should be enhanced; multi-factor authentication for administrative access to non-console devices was not in place; better document third party responsibilities; test the incident response plan periodically.</p>	<p>1.1 Documentation and processes will be created to address the findings.</p>	<p>Larry McKee, Craig Franke</p>	<p>12/31/24</p>
<p>Safety & Security Audit (24-007A)</p>	<p>1. There are safety processes and issues throughout the College that need to be improved.</p>	<p>Need to improve clearing inspection observations, self inspections, fire drills, evacuation routes that are posted, testing elevator call boxes, and accident tracking, and locking buildings.</p>	<p>1.1 All corrective actions will be implemented no later than August 31, 2024. Those will include improvements in monitoring of various processes, improved documentation and frequency of self-inspections, updated evacuation routes, more frequent performance of fire drills, and other necessary improvements to address the specific observations listed above.</p>	<p>Various</p>	<p>8/31/24</p>

TAC 2022 Compliance – Quarterly Update (24-009A)	1. No more controls were implemented. There are 7 controls still outstanding, but they are not ready to be tested.
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Financial & Federal Portions of the 2023 Statewide Single Audit performed by the State Auditor's Office	1. No findings noted.
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Summary Report on Full-time Equivalent State Employees for Fiscal Year 2023 performed by the State Auditor's Office	1. No findings noted.
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Texas State Technical College
Internal Audit
Follow Up Schedule & Status

Completion Summary			
	12/31/23	3/31/24	Audits cleared from (Added to) Schedule
Audits from FY 2023	7	5	2
Audits from FY 2024	0	3	(3)
Net Total	7	8	(1)

Highlights:

Procurement Card Fraud Investigation (23-016): Substantially complete. New rules are set to be implemented on 3/29/2024.
Personal Property Audit (23-003A): RFID implementation in progress. 1 corrective action completed.
W-2 Attestation: W2s for 2022 and 2023 were verified as being submitted to the Social Security Administration.

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>T Drive Audit (23-012A), McKee</p>	<p>1. We identified 4 of 41 required TAC 202 controls that still need to be implemented. These controls relate to audit logs and periodic testing of the back-up files. The control related to testing back-ups was implemented during our audit, but we would like more history of operation before concluding it is fully implemented.</p>	<p>1.1 OIT will implement a SIEM solution that will be managed and monitored by a 3rd party. This will provide TSTC with a logging solution that will alert for logging failures, provide alerting upon suspicious activity and will maintain the logs for the specified retention period.</p> <p>1.2 OIT will have a written plan to periodically test system backup and recovery that will include the creation of an OIT ticket to track the testing of the T:Drive. This plan will include a spreadsheet where the tickets will be tracked for the annual backup and recovery testing of the T:Drive.</p>	<p>Ongoing: Testing will be part of the quarterly TAC 202 follow-up.</p>	<p>A SOC and SIEM solution is still being discussed and researched. There are prerequisites to this topic, including a central logging capability and possibly a central monitoring tool. The timing of this item will change based on this. We still expect to implement phase one of this solution in FY2024.</p>	<p>8/31/24</p>
<p>Procurement Card Fraud Investigation (23-016I), Boykin</p>	<p>1. We identified over \$7,000 in potentially fraudulent purchases on an employee's P-card. The matter was referred to the Police for a criminal investigation.</p>	<p>1.1 Workday delegation functionality will be re-engineered to add more controls.</p>	<p>Ongoing: Testing will be part of the quarterly TAC 202 follow-up.</p>	<p>This testing will be moved into our Disaster Recovery plan and Testing, which is under the IT General controls section of this document.</p>	<p>5/15/24</p>
<p>Procurement Card Fraud Investigation (23-016I), Boykin</p>	<p>1. We identified over \$7,000 in potentially fraudulent purchases on an employee's P-card. The matter was referred to the Police for a criminal investigation.</p>	<p>1.1 Workday delegation functionality will be re-engineered to add more controls.</p>	<p>Substantially Complete: Per Jessica Chavira, the new delegation authority rules have been successfully tested. Jessica is working on communication and getting ready to roll out. The new delegation authority rules are scheduled to be rolled out on Friday March 29th.</p>	<p>This testing will be moved into our Disaster Recovery plan and Testing, which is under the IT General controls section of this document.</p>	<p>3/31/24</p>

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>Personal Property Verification Audit (23-003A), Boykin</p>	<p>1. There are opportunities to improve control processes to ensure accurate recordation and safeguarding of personal property more effectively and efficiently.</p>	<p>1.1 RFID asset tag technology will be implemented as part of the annual inventory process. The RFID initiative will be implemented in phases, strategically beginning with specific high value and/or high-volume areas.</p>	<p>Ongoing: On 3/12/24, we met with accounting personnel and the newly hired Statewide Director of Property Management who oversees the property accountability process. We discussed all known issues and necessary improvements. An RFID system has been acquired, and implementation is in progress. We will closely monitor progress over the next several months. Implementation of CAP 1.1 and CAP 1.3 should significantly strengthen the system of controls.</p>	<p>We now have confirmed onsite days with the vendor. We are hosting two training events, first will be in Waco on 4/23 and the second will be in Harlingen on 5/1. We will be bringing in inventory control from all of the other campuses in for this training. Once complete, they will start to work on their respective campuses.</p>	<p>Anticipated date of completion is 8/31/2024</p>
		<p>1.2 "Spot checks", each month, will be performed by Inventory Control staff beginning no later than September 2023. The spot checks will focus on high volume / high risk groups of assets. We will target no less than 50 assets each month, hopefully increasing spot check volume as the new process matures.</p>	<p>Ongoing - See note in 1.1</p>		<p>Anticipated date of completion is 8/31/2024</p>

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>Audit of IT General Controls (23-018A), McKee</p>	<p>1. We identified 6 of 34 required TAC 202 controls that still need to be implemented. These controls relate to testing of the contingency and disaster recovery plans, physical and environmental access controls to the data centers, and the need to consider enhancements to controls related to mobile devices.</p>	<p>1.1 Implement a solution to assist in the authorizing, monitoring, and control of mobile devices accessing TSTC information pending available funding to implement the solution. This solution will allow TSTC to be able to monitor mobile devices that are enrolled in a Bring Your Own Device (BYOD) plan.</p> <p>1.2 Update and test the disaster recovery plan by performing a tabletop exercise which will serve as training for those involved in the Disaster Recovery Plan. This plan will be updated and tested on an annual basis going forward.</p>	<p>Ongoing</p>	<p>Currently reviewing DR Plan and Recovery Procedures. The testing dates could change depending on how long it take to update the documentation.</p>	<p>8/31/24</p>
<p>Payroll and Benefits Proportionality Audit (23-019A), Sill, Motwani</p>	<p>1. Select payroll deductions for some employees are not being calculated properly by Workday. Additionally, Workday is not correctly handling TRS benefits for new members past their 90th day of employment.</p> <p>2. Workday is including non-benefits eligible pay items in the proportionality calculation.</p>	<p>1.2 We have engaged our Workday vendor to assist with the correction. The calculation will be correct by October 2023, and Payroll will continue to audit all new hires for correct calculation until the correction is tested and verified.</p> <p>2.1 The Accounting Office will work with Workday consultants to find the best solution for this. In the meantime, the Accounting Office will continue to review and spot check the proportionality in the monthly payroll review.</p>	<p>Ongoing: 3/26/24 This issue has not been resolved. Due to the low population, this is affecting, other more important issues have taken priority.</p> <p>Ongoing: 3/26/24 This issue has not been resolved. Due to the low population, this is affecting, other more important issues have taken priority.</p>	<p>TBD</p>	<p>TBD</p>

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
Public Funds Investment Act Audit (24-005A), Motwani	1. We identified three minor exceptions related to incorrect maturity dates and an interest rate reported on the May 31, 2023, Quarterly Investments Report. Additionally, we noted one exception on the May 31, 2023 Pledged Collateral Report, which overstated collateral by \$1,192. With stated collateral adjusted for the error, the collateral amount was still more than sufficient.	1.1 The investment report and collateral report will be reviewed more closely, and an automated element will be added to prevent human error. By February 29, 2024, Workday reports will be created to pull this data directly from bank statements rather than manually inputting this data.	Ongoing 3/26/24 The automated Workday report has not yet been created.		TBD
PCI Audit (24-002A), McKee, Franke	1. Twenty four of the 103 applicable controls we tested require attention. Primarily, those controls required better documentation. But, we did identify opportunities to improve anti-virus software implementation, multi-factor authentication, and the incident response plan.	1.1 Documentation and processes will be created to address the findings.	Ongoing		12/31/24

Report Name & No., Resp. Sr Mgr Safety & Security Audit (24-007A), Various Managers	Internal Audit Finding	Management's CAP(s)	Internal Audit Comments on Status	Management Comments on Status	Expect. Complete Date
1.	1. There are safety processes and issues throughout the College that need to be improved.	1.1 All corrective actions will be implemented no later than August 31, 2024. Those will include improvements in monitoring of various processes, improved documentation and frequency of self-inspections, updated evacuation routes, more frequent performance of fire drills, and other necessary improvements to address the specific observations listed above.	Ongoing		8/31/24



Internal Audit Department

Audit Report

**Payment Card Industry Data Security Standard (PCI
DSS) Audit (24-002A)**

February 12, 2024

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

Executive Summary

We recently completed an internal audit of payment card security as of December 31, 2023. This audit assessed the College’s compliance to the data security standards (PCI DSS) set forth by the PCI Security Standards Council to ensure payment cards are handled and processed in a safe and secure manner to limit unauthorized access to sensitive information. PCI DSS outlines minimum controls for protecting payment card data, and applies to all companies who receive, process, or transmit payment card data.

The College has three primary business units that accept payment cards (aka credit and debit cards) - cafeterias, bookstores, and the cashier’s offices. Because the Harlingen and Waco campuses account for the majority of payment card volume at the College, the scope of this audit included testing only at these campuses.

PCI DSS has six primary objectives that include twelve basic requirements, with numerous related controls. There is a prioritized implementation approach which categorizes the controls into 6 milestones. This approach establishes a methodical implementation process for achieving compliance. It also creates a manageable way to audit such compliance. We tested the controls in the first 3 milestones of this prioritized implementation approach because they focused on security, points of access, and numerous application level controls. The following matrix summarizes all PCI DSS objectives, requirements, number of required controls, number of controls we tested in this audit, and the number of controls tested in this audit that passed, failed or were not applicable:

Objective	Requirement	Controls				
		Required	Tested	Passed	Failed	N/A
Build and maintain a secure network and systems.	1. Install and maintain network security controls.	19	15	12	3	0
	2. Apply secure configurations to all system components.	11	9	6	3	0
Protect account data.	3. Protect stored account data.	29	7	0	0	7
	4. Protect cardholder data with strong cryptography during transmission over open, public networks.	6	4	4	0	0
Maintain a vulnerability management program.	5. Protect all systems against malicious software.	13	11	8	3	0
	6. Develop and maintain secure systems and software.	19	15	5	0	10
Implement strong access control measures.	7. Restrict access to system components and	12	0	0	0	0

	cardholder data by business need to know.					
	8. Identify users and authenticate access to system components.	29	22	15	4	3
	9. Restrict physical access to cardholder data.	27	13	7	5	1
Regularly monitor and test networks.	10. Log and monitor all access to system components and cardholder data.	27	0	0	0	0
	11. Test security of systems and networks regularly.	21	16	13	0	3
Maintain an information security policy.	12. Support information security with organizational policies and programs.	37	20	9	6	5
		250	132	79	24	29

Our results indicate there are strong controls over user management, wireless security, anti-spoofing, and malicious software. Some of these controls include multi-factor authentication, anti-malware and antivirus applications, and processes to manage user accounts for current and terminated users in the card data environment (CDE). Networks connecting to the CDE are also actively monitored, with diagrams and an inventory of network devices being updated and maintained.

We did identify opportunities to enhance certain controls. Those related primarily to improved documentation, but other isolated issues were noted. These are discussed in Finding #1 of this report. A detailed document of the controls we tested and their results were provided to OIT for action. That level of detail is not included in this document because of its sensitivity. It is available upon request.

Introduction

The cafeterias on the Harlingen and Waco campuses accepted approximately \$101,479.00 and \$196,932.00 in payments, respectively, from payment cards issued by Visa, Mastercard, Discover, and American Express from September 1, 2022, through August 31, 2023. The bookstore in Harlingen accepted approximately \$305,597.00 in payments, and the one in Waco accepted \$1,141,808 in payments. Finally, the Waco Cashier’s office accepted \$2,355,097.00 and Harlingen accepted \$732,438.00 in payments from payment cards during that same time period.

Cafeterias and Bookstores on the Waco and Harlingen Campus use Shift4, a validated payment processor that has been independently assessed for compliance with the Payment Application Data Security Standard (PA-DSS). Both cashiers’ offices use First National Bank of Central Texas to process payments through Jack Henry & Associates Inc. Jack Henry has been independently assessed for compliance with the Payment Application Data Security Standard (PA-DSS).

PCI DSS was developed to encourage and enhance payment card account data security and facilitate the broad adoption of consistent data security measures globally. PCI DSS provides a baseline of technical and operational requirements designed to protect account data. Specifically designed to focus on environments with payment card account data, PCI DSS can also be used to protect against threats and secure other elements in an organization's payment ecosystem. PCI DSS is intended for all entities that store, process, or transmit cardholder data and/or sensitive authentication data.

PCI DSS compliance and payment card security are affected by how payment cards are handled in each business unit, by the software and hardware utilized to receive payments via cards, and by other controls managed within the Office of Information Technology (OIT). Risks could materialize through low tech means such as a cashier writing down payment card account numbers, or through more sophisticated hacking attempts. Accordingly, risks must be collaboratively managed, with some being handled within the business units and others within OIT. Stated simply, effective payment card security is dependent upon manual and automated controls.

Internal Audit used the Prioritized Approach Tool for PCI DSS v4.0 that was published in 2022 to conduct this audit. We worked closely with members of the OIT Infrastructure Team, Application Administrators, and Field Technicians who support the CDE on all campuses.

Objectives

The primary purpose of the audit was to ensure payment cards accepted by the cafeterias, bookstores and cashier's offices are handled and processed in a safe and secure manner to limit unauthorized access to sensitive cardholder information. To do this, we verified the minimally required PCI DSS security processes and controls have been implemented by testing all controls in milestones 1 through 3 in the PCI DSS Prioritized approach. Transactions and controls were tested on the Waco and Harlingen campuses because they handle the majority of all transactions.

Scope & Methodology

The scope of our audit included select automated and manual controls related to payment cards that are managed by the cafeteria, bookstores, cashier's offices and/or OIT on the Harlingen and Waco campuses. All applicable controls included in the first 3 milestones of the Prioritized Approach Tool for PCI DSS v4.0 were tested. We utilized the following documents and standards to test the required controls:

- PCI-DSS Guidance for Scoping and Network Segmentation – Understanding scoping and segmentation principles when applying PCI DSS to its environment.
- PCI-DD Version 4.0 – Requirements and Testing Procedures for PCI-DSS.
- Prioritized Approach for PCI DSS 4.0 – Tool used to test PCI DSS Milestones.
- PCI DSS Quick Reference Guide – Understanding the payment card industry data security standard version 4.0.

To accomplish our audit objectives, we examined documents in electronic or physical form, system screenshots, configuration files, audit logs, and data files. We observed actions in the CDE to include personnel performing task or processes on system components and functions responding to input, environmental conditions, and physical controls. Finally, we interviewed key personnel who have related involvement with payment cards.

General Observations

The Office of Information Technology proactively monitors network traffic going into and out of the CDE. There are strong network security controls to detect malware and threats of viruses on devices connected to the network. Wireless networks are segmented to restrict traffic on open networks from entering private networks. Wireless access points are monitored for tampering, and to prevent the establishment of rogue networks. There are strong controls around account management. User accounts are monitored and scanned for users with access to system components in the CDE.

Network diagrams/dataflow diagrams are maintained and updated to reflect changes in the card data environment. Documentation for a list of network devices supporting the CDE is maintained and updated as changes to devices occur. Documentation for Internet Protocol addressing and routing is kept secure and only accessible by members with a business need to know.

Summary of Findings

Twenty four of the 103 applicable controls we tested require attention. Primarily, those controls required better documentation. But, we did identify opportunities to improve anti-virus software implementation, multi-factor authentication, and the incident response plan.

Opinion

Based on the audit work performed, we determined that payment card security in the cafeterias, bookstores, and cashier's offices are generally well controlled, but there are opportunities to improve compliance with PCI DSS. While many key controls are in place, there are elements of the controls that need to be enhanced.

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

Submitted by:

[ORIGINAL SIGNED BY]

Jason D. Mallory, CPA, CIA

February 12, 2024

Date

AUDIT FINDING DETAIL

Finding #1: Twenty four of the 103 applicable controls we tested require attention. Primarily, those controls required better documentation. But, we did identify opportunities to improve anti-virus software implementation, multi-factor authentication, and the incident response plan.

Criterion: We examined system configurations, access control list, ports and protocols used when connecting remotely to non-administrative consoles for the card data environment. We interviewed administrators supporting Point of Interaction (POI) terminals to verify management of the card readers. Finally, we observed configurations of servers to verify additional security applications installed on them.

Our tests yielded the following results that should be addressed:

- Configuration, management, and a targeted risk analysis for PCI DSS should be better documented to enhance the proactive prevention of risks.
- POI devices should be better tracked, and periodically inspected. Cashiers utilizing the devices should also be trained to identify suspicious tampering.
- All servers and workstations supporting the CDE should have anti-virus software installed and functional.
- Password management for the CDE should be enhanced.
- Implement multi-factor authentication for administrative access to non-console devices on the internal network.
- Documentation outlining third party service providers' PCI DSS responsibilities should be better managed to obtain a clear understanding of who manages the different risks.
- Test the incident response plan periodically.

[NOTE: Details of each bullet point not included in this report were provided to OIT.]

Consequences: Increased risks of inappropriate configurations running on devices, increased exposure to tampering with POI devices, threats to hardware supporting the CDE due to viruses, and increased risk of hacks due to not using multi-factor authentication techniques.

Possible Solutions: Enhance all controls noted on the document we provided which details all controls that were tested.

Management Response

Management of the Office of Information Technology agrees with the observations made in the audit. All of the findings listed above were the result of not having proper documentation and processes. By December 1, 2024, documentation and processes will be created to address the findings. Larry McKee, Sr. Director of IT Security and Compliance, will be responsible for implementation of this corrective action plan



Internal Audit Department

Audit Report

Safety & Security Audit (24-007A)

All Campuses

March 22, 2024

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

Executive Summary

We recently completed an audit of safety and security processes at TSTC (College) through February 2, 2024. Texas Education Code §51.217 requires an audit at least every three years of the safety and security of the institution's facilities. We last performed this audit in fiscal year 2021.

Our audit specifically focused on ensuring institutional processes are in place that ensure the safety and security of students, employees and others on a continual basis. We performed several tests, to include a verification of inspections performed by the Environmental, Health & Safety Department (EHS), campus safety coordinators and/or Physical Plant employees. Where applicable, student housing, the airports, and food services were included in our scope. The following list summarizes the specific tests we performed at each campus:

- We performed verifications of inspections previously completed by designated safety personnel to ensure accuracy and thoroughness. A sample of lab, fire extinguisher, artificial defibrillator devices (AED) and eyewash/shower station inspections were reviewed at every campus. Designated safety personnel accompanied us on each inspection. Safety issues cited in these recent periodic self-inspections were also reviewed to ensure timely corrections were made. Written documentation of these inspections was also reviewed for consistency between campuses.
- We reviewed past safety issues cited by outside inspectors, specifically those from the State Office of Risk Management (SORM) and the State Fire Marshal's Office (SFMO) to verify the effectiveness of the follow-up process in correcting the issues in a timely manner.
- We reviewed accidents that occurred on each campus during fiscal year 2023 to verify a uniform process is in place for reporting and handling accidents, and that remedial action is taken to limit recurrences, if applicable.
- We reviewed communication to College leadership of unresolved or systemic safety issues to ensure the risks of those unresolved matters are known and accepted.
- We reviewed fire drills in academic and administrative buildings, as well as in housing, with frequency and documentation being key perspectives.
- The implementation and effectiveness of an emergency alert system statewide was tested.
- The implementation of uniform safety training was reviewed to ensure employees are aware of their responsibilities.
- The emergency and elevator call boxes, where applicable, were tested for proper operation.
- We reviewed food service operations provided by the College to ensure their operations were sanitary.

- Police and/or security presence, to include current and required training, weapons qualifications, license certification and security logs were verified.

The following table summarizes our results:

<p>Inspection Verifications - Overall</p>	<p>Overall, each campus is fostering a safe environment for students, employees and visitors.</p> <p>We determined that EHS recently implemented a cloud-based system to document and track safety inspections and safety-related assets (fire extinguishers, AEDs, etc.). This system was not fully implemented during our audit, but will be a beneficial tool once fully adopted.</p> <p>We noted the self-inspection process to be more fully established at some campuses than others, and we identified isolated safety observations at every campus that were not noted in the self-inspections.</p> <p>All observations, irrespective of their significance, were communicated to designated safety personnel, campus leadership, and/or facilities personnel. A supplemental report to this report provides management details of all specific safety observations we identified. Those details are available upon request.</p>
<p>Past SORM and SFMO Citations</p>	<p>SORM and SFMO issues cited in past inspections are generally being tracked, but we identified several that have not yet been corrected. See Finding #1.</p>
<p>Accident Handling, Reporting and Resolution</p>	<p>There is a defined process in place for identifying, tracking and reporting accidents. Each campus has the same process in place. There were minor exceptions related to documentation and inaccuracies in the management summary</p>

	reports that were communicated during the audit. See Finding #1.
Communication to Executive Leadership	<p>Safety has become more visible throughout the College. However, there is still an opportunity for risks and outstanding unresolved issues to be communicated upward to help achieve more timely resolution of outstanding issues. This has been a recurring concern in the past 3 audits.</p> <p>A Safety Committee has been established, and includes employees across divisions.</p>
Inspection Process	<p>Since the last audit performed in 2021, the entire EHS staff has turned over. Consequently, shop, AED, and fire extinguisher inspections, as well as fire drills lapsed for a period of time. A comprehensive, consistent safety inspection process is being re-implemented, but was early in its implementation during this audit. Therefore, there were limited inspections for us to verify. We are optimistic those inspections will be frequent, well-documented, comprehensive, and consistent.</p> <p>Similarly, inspections at the airport have lapsed since the last safety audit, again due to turnover of staff. During this audit, those inspections had not yet resumed.</p> <p>For housing inspections, there is a process in place, however, it is not being consistently performed at the stated frequency. Additionally, no one is overseeing the safety processes at the Village Oaks apartments on the Waco campus. See Finding #1.</p>

<p>Fire Drills</p>	<p>Generally, fire drills of academic and administrative buildings are being performed on an annual basis. But some campuses had buildings that did not conduct a fire drill in over a year, and other campuses were missing drills at the majority of its buildings.</p> <p>Fire drills in housing have been consistently performed for most facilities during FY 2023, but as previously stated, there were lapses in prior years due to staff turnover.</p> <p>We also consistently noted outdated or missing emergency evacuation routes of buildings and campuses that needed revisions. Extensive remodeling and construction are a key contributors to this issue.</p> <p>See Finding #1.</p>
<p>Emergency Notification System</p>	<p>There is an effective emergency notification system in place, but it needs attention to ensure everyone is notified. See Finding #2.</p>
<p>Training</p>	<p>Safety awareness has improved since our last audit through annual training, supplemental training, and safety committee meetings. EHS is also working on several projects to continue to improve communication to employees and students about safety related topics.</p>
<p>Emergency Operations Plan</p>	<p>An Emergency Operations Plan is in place. It was actively being updated during this audit. The last revision was dated 2019. Re-implementation of periodic tabletop exercises was ongoing.</p> <p>Despite the Plan needing revision, the College has demonstrated an ability</p>

	<p>throughout the years to be nimble enough to quickly adjust its operations during a crisis.</p>
<p>Emergency Call Boxes and Elevator Telephones</p>	<p>Where located, all emergency call boxes were operational. They are also being tested periodically.</p> <p>All but one elevator call box was operational; this was communicated to management to correct. However, at some campuses, there is not a process in place to ensure elevator call boxes are being periodically tested. See Finding #1.</p>
<p>Food Services</p>	<p>All food service activities operate in a safe manner, and certifications are proactively tracked.</p>
<p>Police and Security Services</p>	<p>All police officers at the Waco, Harlingen, and Sweetwater campuses are currently licensed peace officers in Texas. Annually they qualify on their weapons, take active shooter and other police related training, and have received appropriate continuing education applicable to their responsibilities. They have access to body cameras during duty, and to security cameras on campus.</p> <p>There are opportunities to improve security, however. We noted a frequent trend in which campus buildings are not locked after hours by campus employees. While the Police do a commendable job in identifying these instances, we feel unlocked doors should be far less common. See Finding #1.</p> <p>In Hutto, a third-party armed security service is provided by Temple College. Marshall and Fort Bend have an armed security guard on campus during all times the campus is open. North Texas has an</p>

	<p>armed security guard on campus during the day.</p> <p>The campuses in Abilene, Breckenridge, Brownwood and New Braunfels do not have dedicated security or police. Rather, they rely on local municipal police departments on a daily basis, with assistance from campus Police during events or other emergencies.</p>
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Introduction

The College currently has campuses in 11 cities throughout the state that are comprised of structures and facilities used for educational and administrative purposes, housing, and athletics. There is also a large airport on one campus that contains dozens of hangars and other structures that accommodates tens of thousands of flights annually. Educational programs taught by the College include courses related to computers, flight instruction, light and heavy equipment repair, welding, machining, construction and electrical linework. Each program has its own risk profile. The College also has close to 2,000 employees that engage in instruction, administration, facilities maintenance and repair, law enforcement, and various customer service roles (i.e., food service, cashiers, retail operations). There are countless safety risks, with common ones being associated with student and employee injuries, criminal activity, natural disasters, and vehicle and airplane crashes. Past injuries have included cuts, burns, crushes, sprains, and breaks due to accidents and carelessness. Crimes included thefts, aggravated assault, theft, and sexual assaults. The campuses have also been exposed to tornadoes, wind and hail damage, hurricanes, floods, fires, pandemics, and arctic blasts. These all remain probable risks.

The College has adopted a multi-layered approach in achieving safety and security. This approach encompasses student and employee well-being, as well as limiting the financial exposure associated with damage and loss of assets. Controls such as periodic self-inspections and inspections by outside agencies, comprehensive policies and procedures adopted by the Board of Regents, insurance, designated safety personnel, and various facility controls have been implemented.

Monitoring and training is achieved through designated safety professionals within the EHS Department, which is overseen by a Director. There are three full-time safety officers, stationed on the Harlingen, Waco, and Brownwood campuses, who provide safety guidance to all campuses. Safety officers perform safety inspections on a limited basis, facilitate annual inspections of fire alarms, extinguishers, and sprinkler systems, and conduct safety training. The Physical Plant department also assists in performing

inspections of fire extinguishers and AED's. Other campuses have designated safety coordinators who receive a monthly additional duty stipend to perform tasks similar those mentioned above, except on a reduced basis.

Objectives

The objectives of this audit were to ensure that the College has implemented safety and security processes that protect people and assets. It was also intended to identify, on a sample basis, any current deficiencies that need to be corrected, especially significant ones. This audit is intended to satisfy the 3-year audit requirement of Texas Education Code §51.217.

Scope & Methodology

The scope of our audit included various personal and property safety and security risks at all campuses through February 2, 2024. To accomplish our audit objectives, we reviewed safety and security policies and procedures at each campus, verified a sample of previously completed inspections, reviewed accident reports, interviewed numerous personnel, and reviewed other documents and procedures. We also reviewed inspection reports provided by the State Office of Risk Management and the State Fire Marshal.

Positive Observations

Overall, we noticed the following at each campus:

- An emergency communications system has been implemented which uses text messaging, e-mails, and phone calls to alert employees and students of emergency situations. People must opt out from receiving the communications. This system is regularly tested.
- Comprehensive safety related policies are in place. Some of the more extensive ones include a Disaster Recovery and Business Continuity Plan, an Emergency Operations Plan that is currently being revised, Campus Police Department, Safety Program, Prohibiting Sexual Misconduct and Gender-Based Discrimination, and a policy on the Campus Security & Crime Statistics Reporting and Fire Safety Reporting.
- An Annual Security and Fire Safety Report is prepared and published that informs people of specific crimes and fires that occurred on each campus.
- Safety Data Sheets are maintained of chemicals that are stored on campus, and we did not identify any stockpiles of unused chemicals that were present in past years. There are also plans to transition these Sheets to electronic format.
- Facilities are generally well-maintained, and each campus has personnel dedicated towards this goal. In addition, shop maintenance and overall cleanliness has greatly improved.
- Fire extinguishers, alarms, AEDs, are deployed throughout each campus.
- Instructors actively oversee student labs, provide program specific safety training, and generally enforce personal protective equipment requirements.

- Each campus has a safety representative who inspects and provides guidance.
- There is a defined process for accident reporting and handling.
- Employee safety training is performed.
- Executive Management and the Board of Regents have established an expectation of safety and security.
- There are dedicated student disciplinary procedures and personnel, with specific procedures for compliance to Title IX and VAWA regulations.
- There is a culture of zero tolerance for harassment and/or bullying of any kind.

Safety is in a constant state of improvement. It is largely dependent upon the behaviors of every person on campus at any given time. There has been turnover within EHS since the previous audit, and although we noted gaps in inspections during this time, we feel the safety processes that are being implemented will improve overall safety. Throughout our inspections, we noted that safety personnel are generally well-known and respected by employees. In previous audits, tracking and documenting safety issues were tracked on various spreadsheets and reports. EHS has implemented Campus Optics, a cloud-based database which allows inspections to be performed and documented in a consistent manner, safety assets and outstanding safety issues to be tracked, and various reports to be generated. This system allows insight that previously did not exist.

Summary of Findings

1. There are safety processes and issues throughout the College that need to be improved.
2. Although there is an effective emergency notification system (ENS) in place, there needs to be better oversight from a single manager.

Opinion

Based on the audit work performed, the College has implemented numerous safety and security controls to ensure students, employees and assets are reasonably safe and secure. But, there is an opportunity to improve processes which support safety and correct specific issues. These improvements should improve safety and security, and ensure responsibility and accountability across campuses. In most cases, our observations and recommendations were being addressed before this audit concluded.

We would like to express our gratitude for the time and assistance provided by management and the staff at all campuses during this audit.

Submitted by:

[ORIGINAL SIGNED BY]

Jason D. Mallory, CPA, CIA

March 22, 2024

Date

AUDIT FINDING DETAIL

Finding #1: There are safety processes and issues throughout the College that need to be improved.

Criterion: During our audit, we performed several specific tests at each campus. These tests allowed us to gain insight into whether key safety processes have been standardized, and to identify significant deficiencies common to each campus that need to be immediately addressed.

In addition to the significant safety deficiencies detailed in the supplemental confidential audit report, we found the following that warrant attention:

- There were several SORM and SFMO issues and recommendations previously cited that have not yet been resolved. Some of these are over a year old.
- Periodic self-inspections are being performed at each campus, however, the frequency and quality of such inspections are not yet consistent. Inspections on some campuses are performed significantly more than others. Some of the fire extinguisher, AED and shop inspection checklists are not being fully or accurately completed. Additionally, not all shops, fire extinguishers and AED's are being inspected at their stated frequency.
- Housing inspections are being performed, however, not consistently every 2 weeks for all occupied units. And, inspections are primarily being performed by student resident assistants without an employee verifying their quality. In addition, there is no oversight of safety processes on the Village Oaks property, even though SORM and SFMO include them in their inspections when they test the College.
- Due to turnover at the Waco airport, there has not been comprehensive and frequent inspections performed since the last safety audit.
- Fire drills are taking place at each campus, however, at some campuses, drills are not being conducted in every building at the frequency stated in the Annual Safety & Fire Security Report. Drills in fiscal years 2021 and 2022 were sporadic due to EHS turnover.
- We noted evacuation routes for some buildings and campuses that were either generally outdated, or not posted. No one seemed to generally be aware who was responsible for making updates to those maps. Remodeling and construction over the last several years has created a need to update them.
- One elevator's call box was not fully operational, and another's operator did not have the correct location of the elevator. In addition, there is not a process for testing elevator emergency telephones at four campuses.
- There is a process for identifying, tracking and reporting accidents, however, it needs to be improved to ensure all accidents are included on summary management reports. In addition, several accident reports were missing one or more signatures.
- In Police documentation, we noted frequent notes related to them finding buildings unlocked after hours.

Consequences: Increased risk of injuries and loss, increased risk of not readily identifying safety concerns that can be easily corrected.

Possible Solutions:

We recommend:

- All SORM and SFMO inspections conducted since 2021 be reviewed in monthly safety and campus related meetings. Many inspections were conducted during a period of staff transition. All outstanding observations should either be corrected or accepted by the appropriate level of management based upon reasonable rationale. In instances where risks are accepted, we recommend they be communicated to the Executive Cabinet.
- Self-inspections continue, with a particular focus on accuracy and frequency at every campus. We understand travel to some campus' present inspection challenges. Consideration should be given to overcoming these challenges. Finally, we recommend inspection checklists in Campus Optics be completed in full, rather than leaving "no response" as an answer selection.
- Evacuation routes for buildings and campuses be updated and posted, with specific responsibility for maintaining the maps clearly delineated to an employee or office.
- Inspections currently performed by students in housing become subject to random validation by an employee. For Village Oaks, we recommend oversight by the College given the impact on students.
- A comprehensive inspection program on the airport to be implemented immediately, which includes frequent daily checks for foreign object debris on the runway.
- Fire drills in all occupied administrative buildings housing facilities performed at the frequency as stated in the Annual Security and Fire Safety Report.
- Elevator call boxes become subjected to a consistent inspection process at every campus. We also recommend the two call boxes we noted with issues be corrected.
- Accident forms include all signatures, and summary reports include all data so that reliable decisions can be made.
- Adding a safety component in all employee annual performance reviews since safety depends on everyone's actions.
- Creating a process that should be followed if a serious safety risk is observed, such as immediately directing an activity to cease.
- Establishing building liaisons who are responsible for ensuring facilities are locked after hours.

Management Response

Management within Learning, Campus Services and Human Resources agree with the observations. All corrective actions will be implemented no later than August 31, 2024. Those will include improvements in monitoring of various processes, improved documentation and frequency of self-inspections, updated evacuation routes, more frequent performance of fire drills, and other necessary improvements to address the specific observations listed above. Managers responsible for ensuring action is taken include Kevin Semien (VC/CCSO), Pamela Mayfield

(VC/CHRO), all campus Provosts, the Director of EHS, the SVP/Facilities, the Director of Residence Life, and the Airport Operations Manager.

AUDIT FINDING DETAIL

Finding #2: Although there is an effective emergency notification system (ENS) in place, there needs to be better oversight from a single manager.

Criterion: During our audit, we verified a method was in place to quickly and timely notify the campus community of emergency situations should they occur.

We learned that although there are several individuals involved in the facilitation of communications sent through the ENS, there was not a single person or office who oversaw the system or process. We identified inaccurate email addresses, former employees still listed on the notification list, notification groups that were created for no obvious reason, and no students being included in periodic tests of the system. Our most serious concern related to confusion on whether every student and employee on the New Braunfels campus would receive a notification.

We discussed our concern with the Chancellor’s Office. Oversight was immediately assigned to an employee in that office. Since our discussion, all of the items noted above have either improved, or being addressed.

Consequences: The lack of defined oversight could result in someone not receiving a timely notification.

Possible Solutions: Assign a specific person or office to oversee the emergency notification process to ensure all aspects of it are working as intended.

Management Response

Management of the Office of the Chancellor agrees with the observations made in the audit. Although there is an effective emergency notification system (ENS) in place, there needs to be better oversight from a single manager. On February 14, 2024, the Chief of Staff to the Office of the Chancellor was named the manager of the college’s emergency notification system, working closely with the Office of Information Technology and the Office of Communications. Effective immediately, monthly spot checks of employee and student information in the ENS will be performed to ensure contact information is complete and correct. ENS tests will also be performed according to the College’s Statewide Operating Standards GA 1.6.11. Jennifer Tindell will be responsible for implementation of this corrective action plan.

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

May 2024

The *Texas Administrative Code, Section 202* (commonly known as TAC-202) creates the minimum standards for IT security at state agencies. TSTC is subject to these requirements.

The *Texas Department of Information Resources*, the chief IT agency in Texas, provides agencies with a resource for fulfilling TAC-202. These guidelines are published in a *controls catalog* that classifies controls as either required or recommended.

There are 135 required controls that agencies must apply to the general IT environment and/or their individual systems. Such required controls relate to access, change management, audit logging, back-up & recovery, maintenance, and various physical safeguards.

TAC-202 is so broad and so comprehensive that agencies across the state struggle to comply with the daunting scope of the rules. Indeed, reaching full compliance can take many years for some while other agencies may never reach the goal.

Since the work cannot possibly be completed all at once, the TSTC approach to TAC-202 has been to first target the high-risk and/or mission critical systems. Then, in turn, the various requirements are addressed in a logical sequence of declining risk levels. This work is ongoing today.

While an internal audit is required biennially, TSTC has elected to practice a higher degree of audit frequency in TAC-202. In a collaboration between Internal Audit Department and the TSTC IT staff, the college has a *continuous* audit process. This approach exceeds the minimum requirements and ensures a better pace of continuous improvement toward final completion.

As a result of these continuous efforts, a detailed database of controls shared by both IT and Internal Audit has been built that memorializes the required controls that have been audited, as well as the current status of their implementation. This database is invaluable in managing and documenting the extensive efforts to comply and ensure IT security.

An executive summary of the progress made by TSTC in TAC 202 is presented quarterly by Internal Audit to the Board of Regents in a report called: *TAC 202 Compliance – Quarterly Update*. This report follows.



To: Audit Committee
 From: Jason D. Mallory, VC/CAE
 Subject: TAC 202 Compliance – Quarterly Update
 Date: March 31, 2024

The purpose of this memo is to provide you the current implementation statuses of IT controls required by TAC 202 tested in numerous internal audits of systems conducted since 2017. Annually, the list of audits of systems will increase as we continue to audit. Each quarter we test select controls which were previously not implemented. From January 1 through March 31, 2024, no more controls were implemented. There are currently only 7 more controls from past audits on this report to test. Those controls are not ready for testing, but we verified action is being taken to complete them. For the systems that are lightly shaded, all controls have been implemented.

RESULTS

General Controls

Original Audit: June 28, 2017

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

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

Colleague

Original Audit: June 28, 2017

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

Perceptive Content

Original Audit: June 28, 2017

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

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

Maxient

Original Audit: February 25, 2019

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

Google Suite

Original Audit: December 10, 2018

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

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

Target X

Original Audit: September 30, 2019

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

Informatica Server

Original Audit: September 30, 2019

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

PrismCore

Original Audit: September 21, 2020

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

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

Informer

Original Audit: April 6, 2021

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

VPN

Original Audit: November 22, 2021

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

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

Canvas LMS

Original Audit: May 20, 2022

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

TWC Server

Original Audit: May 16, 2022

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
Jan 2023 – Mar 2023	47	4	0	0	51

T Drive

Original Audit: March 17, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted	Total
January 2024 – March 2024	37	0	4	0	41
November 2023 – December 2023	37	0	4	0	41
Difference	0	0	0	0	

IT General Controls

Original Audit: June 23, 2023

Period	Implemented	Implemented with Recommendations	Not Implemented	Risk Accepted ^{Note 4}	Total
January 2024 – March 2024	24	6	3	1	34
November 2023 – December 2023	24	6	3	1	34
Difference	0	0	0	0	

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

Submitted by:

[ORIGINAL SIGNED BY]

Jason D. Mallory, CPA, CIA

March 31, 2024

Date

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



Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

Report on the Audit of the Financial Statements


Opinions

We have audited the consolidated financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Texas (State), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of August 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entities:

- The Texas Department of Transportation, a component of the State of Texas, which is included in the governmental and proprietary funds. The Texas Department of Transportation constitutes 99.9 percent of the expenditures for the State Highway Fund, a major governmental fund. The Texas Department of Transportation also constitutes 57.7 percent of the assets of the governmental activities.
- The University of Texas System, a component of the State of Texas, which constitutes 72.8 percent of the assets of the Colleges and Universities, a major enterprise fund. The University of Texas System also constitutes 59.8 percent of the assets of the business-type activities.
- The Texas Lottery Commission, a component of the State of Texas, whose Lottery Fund is a major enterprise fund that constitutes 21.0 percent of the operating revenues of the business-type activities.

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SAO Report No. 24-317

- The Employees Retirement System of Texas, a component of the State of Texas, which constitutes 14.4 percent of the assets of the Pension and Other Employee Benefit Trust Funds, a major fiduciary fund. The Employees Retirement System of Texas also constitutes 12.0 percent of the assets of the fiduciary activities.
- The Texas Treasury Safekeeping Trust Company, a component of the State of Texas, which constitutes 100 percent of the assets of the External Investment Trust Fund, a major fiduciary fund. The Texas Treasury Safekeeping Trust Company also constitutes 13.3 percent of the assets of the fiduciary activities.

The statements listed above were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Investments with Values That Are Not Readily Determined

As discussed in Note 3, the consolidated financial statements include investments valued at approximately \$153.6 billion as of August 31, 2023, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Permanent School Fund

As discussed in Notes 1 and 14, on September 1, 2022, the Texas Permanent School Fund Corporation was recognized as a legally separate, special purpose governmental corporation reported as a discreetly presented component unit of the State. Due to its formation, it was necessary for the State to restate its beginning net position by \$42.3 billion in governmental activities on the government-wide statement of activities and its beginning fund balance by the same amount in the Permanent School Fund opinion unit on the governmental funds statement of revenues, expenditures, and changes in fund balances. This change was required due to the

transfer of beginning asset and liability balances belonging to the Permanent School Fund from the Texas Education Agency to the Texas Permanent School Fund Corporation.

The remaining balances and activities reported in the Permanent School Fund opinion unit in the governmental funds statements represents activities and operations for land, mineral and royalty interests, and real property holdings managed by the Texas General Land Office in support of the Permanent School Fund. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, the budgetary comparison schedules, the schedules of pension liability, and the schedules of OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State’s basic financial statements. The combining financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with GAAS. In our opinion, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

February 22, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
Members of the Legislature, State of Texas

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Texas's (State) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State of Texas's major federal programs for the year ended August 31, 2023. The State of Texas's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State's financial statements include the operations of a blended component unit, Texas A&M Research Foundation (TAMRF), which expended approximately \$76.8 million in federal awards, which is not included in the State's schedule of expenditures of federal awards for the year ended August 31, 2023. Our audit, described below, did not include the operations of TAMRF because the entity has engaged other auditors to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Qualified Opinions on Temporary Assistance for Needy Families (TANF), Social Services Block Grant (SSBG), Block Grants for Community Mental Health Services (MHBG), Block Grants for Prevention and Treatment of Substance Abuse (SABG), and the Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State of Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on TANF, SSBG, MHBG, SABG, and the Medicaid Cluster for the year ended August 31, 2023.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State of Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2023.

The Honorable Greg Abbott, Governor
 The Honorable Glenn Hegar, Comptroller of Public Accounts
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Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the State of Texas’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on TANF, SSBG, MHBG, SABG, and the Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, the State of Texas did not comply with requirements regarding the following:

Agency	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – TANF ALN 93.667 – SSBG ALN 93.958 – MHBG ALN 93.959 – SABG	Reporting	2023-010
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2023-018

Compliance with such requirements is necessary, in our opinion, for the State of Texas to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State of Texas’s federal programs.

The Honorable Greg Abbott, Governor
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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Texas's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Texas's compliance with the requirements of each major federal program as a whole. We did not audit the State's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Student Financial Assistance Cluster (SFA) (the other auditor's major federal program), which represents approximately 4.7% of total federal assistance expended by the State for the year ended August 31, 2023. The other auditor's major federal program is identified in the accompanying schedule of findings and questioned costs as a major federal program and was audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the other auditor's major federal program is based solely on the reports of the other auditor.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State of Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State of Texas's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

Agency/ University	Major Program	Compliance Requirement	Finding Number
Department of Family and Protective Services	ALN 93.558 – TANF	Eligibility	2023-001
Department of State Health Services	ALN 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-004
General Land Office	ALN 14.228 – Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (CDBG)	Reporting	2023-007
Health and Human Services Commission	ALN 21.027 – Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-008
	ALN 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-009
	ALN 93.558 – TANF ALN 93.667 – SSBG ALN 93.767 – Children’s Health Insurance Program (CHIP)	Matching, Level of Effort, Earmarking (CHIP only)	
	ALN 93.958 – MHBG ALN 93.959 – SABG Medicaid Cluster		
	ALN 93.558 – TANF ALN 93.667 – SSBG ALN 93.958 – MHBG	Subrecipient Monitoring	2023-011
	ALN 93.558 – TANF	Special Tests and Provisions – Penalty for Refusal to Work	2023-012
	ALN 93.667 – SSBG	Reporting	2023-013
	ALN 93.767 – CHIP	Eligibility	2023-014
		Special Tests and Provisions – Provider Eligibility	2023-015
	ALN 93.958 – MHBG	Period of Performance	2023-016
	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2023-017

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Office of the Governor	ALN 21.027 – Coronavirus State and Local Fiscal Recovery Funds	Reporting	2023-021
Texas Department of Agriculture	ALN 14.228 – CDBG	Reporting	2023-022
		Reporting	2023-023
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program	Eligibility	2023-024
		Subrecipient Monitoring	2023-025
		Special Tests and Provisions – ERA Funds Reallocation	2023-026
		Reporting	2023-028
Texas Division of Emergency Management	ALN 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2023-029
Texas Education Agency	ALN 84.425R – Education Stabilization Fund	Reporting	2023-030
Texas Workforce Commission	ALN 84.002 – Adult Education- Basic Grants to States	Subrecipient Monitoring	2023-031
Lamar University	Student Financial Assistance Cluster	Eligibility	2023-101
		Reporting	2023-102
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-103
		Special Tests and Provisions – Return of Title IV Funds	2023-104
		Special Tests and Provisions – Enrollment Reporting	2023-105
Sam Houston State University	Student Financial Assistance Cluster	Eligibility	2023-107
		Special Tests and Provisions – Return of Title IV Funds	2023-108
Tarleton State University	Student Financial Assistance Cluster	Eligibility	2023-109
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-110

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Tarleton State University	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-111
		Special Tests and Provisions – Enrollment Reporting	2023-112
Texas A&M University	Student Financial Assistance Cluster	Eligibility	2023-113
		Special Tests and Provisions – Enrollment Reporting	2023-114
Texas Southern University	Student Financial Assistance Cluster	Eligibility	2023-116
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-117
		Special Tests and Provisions – Return of Title IV Funds	2023-118
		Special Tests and Provisions – Enrollment Reporting	2023-119
		Special Tests and Provisions – Gramm-Leach-Bliley Act – Student Information Security	2023-120
Texas State University	Student Financial Assistance Cluster	Eligibility	2023-121
Texas Tech University	Student Financial Assistance Cluster	Eligibility	2023-123
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-124
		Special Tests and Provisions – Return of Title IV Funds	2023-125
		Special Tests and Provisions – Enrollment Reporting	2023-126
		Special Tests and Provisions – Additional Locations	2023-127

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Tech University Health Sciences Center	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-128
The University of Texas at Arlington	Student Financial Assistance Cluster	Cash Management	2023-130
		Eligibility	2023-131
		Reporting	2023-132
		Special Tests and Provisions – Return of Title IV Funds	2023-133
The University of Texas at Austin	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-136
		Special Tests and Provisions – Enrollment Reporting	2023-137
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-138
The University of Texas at Dallas	Student Financial Assistance Cluster	Eligibility	2023-139
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-140
The University of Texas at El Paso	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-141
The University of Texas at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-142
		Special Tests and Provisions – Enrollment Reporting	2023-143
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-144

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Agency/ University	Major Program	Compliance Requirement	Finding Number
The University of Texas Health Science Center at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-145
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-146
The University of Texas Permian Basin	Student Financial Assistance Cluster	Eligibility	2023-148
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-149
		Special Tests and Provisions – Return of Title IV Funds	2023-150
		Special Tests and Provisions – Enrollment Reporting	2023-151
The University of Texas Rio Grande Valley	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-152
University of Houston	Student Financial Assistance Cluster	Eligibility	2023-153
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-154
		Special Tests and Provisions – Return of Title IV Funds	2023-155
		Special Tests and Provisions – Enrollment Reporting	2023-156
		Special Tests and Provisions – Gramm-Leach-Bliley Act – Student Information Security	2023-157
University of North Texas	Student Financial Assistance Cluster	Reporting	2023-158
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-159

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Agency/ University	Major Program	Compliance Requirement	Finding Number
University of North Texas	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-160
		Special Tests and Provisions – Enrollment Reporting	2023-161
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-162

Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the State of Texas’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State of Texas’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors’ Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be material weaknesses.

Agency	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.558 – TANF	Reporting	2023-010
	ALN 93.667 – SSBG		
	ALN 93.958 – MHBG		
	ALN 93.959 – SABG		
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions – Provider Eligibility	2023-018

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A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and listed below to be significant deficiencies.

Agency/ University	Major Program	Compliance Requirement	Finding Number
Department of Family and Protective Services	ALN 93.558 – TANF	Eligibility	2023-001
Department of State Health Services	ALN 93.268 – Immunization Cooperative Agreements	Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccines	2023-002 2023-003
		Special Tests and Provisions – Record of Immunization	
	ALN 97.036 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-004
General Land Office	ALN 14.228 – CDBG	Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Reporting	2023-005 2023-006
		Reporting	2023-007
		Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-008
Health and Human Services Commission	ALN 10.557 – WIC ALN 93.558 – TANF ALN 93.667 – SSBG ALN 93.767 – CHIP ALN 93.958 – MHBG ALN 93.959 – SABG Medicaid Cluster	Activities Allowed or Unallowed, Allowable Costs/ Cost Principles	2023-009
		Matching, Level of Effort, Earmarking (CHIP only)	
	ALN 93.558 – TANF ALN 93.667 – SSBG ALN 93.958 – MHBG	Subrecipient Monitoring	2023-011
	ALN 93.558 – TANF	Special Tests and Provisions – Penalty for Refusal to Work	2023-012
	ALN 93.667 – SSBG	Reporting	2023-013
	ALN 93.767 – CHIP	Eligibility	2023-014

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Health and Human Services Commission	ALN 93.767 – CHIP	Special Tests and Provisions – Provider Eligibility	2023-015
	ALN 93.958 – MHBG	Period of Performance	2023-016
	Medicaid Cluster	Special Tests and Provisions – ADP Risk Analysis and System Security Review	2023-017
Office of the Governor	ALN 21.027 – Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed and Unallowed, Allowable Costs/Cost Principles	2023-019
		Matching, Level of Effort, Earmarking	2023-020
		Procurement, Suspension and Debarment	
		Reporting	
		Reporting	2023-021
Texas Department of Agriculture	ALN 14.228 – CDBG	Reporting	2023-022
		Reporting	2023-023
		Reporting	2023-024
Texas Department of Housing and Community Affairs	ALN 21.023 – Emergency Rental Assistance Program	Eligibility	2023-024
		Subrecipient Monitoring	2023-025
		Special Tests and Provisions – ERA Funds Reallocation	2023-026
		Reporting	2023-028
Texas Division of Emergency Management	ALN 21.026 – Homeowner Assistance Fund Program	Eligibility	2023-027
		Reporting	2023-028
Texas Education Agency	ALN 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	2023-029
		Reporting	2023-030
Texas Workforce Commission	ALN 84.002 – Adult Education- Basic Grants to States	Subrecipient Monitoring	2023-031
Lamar University	Student Financial Assistance Cluster	Eligibility	2023-101
		Reporting	2023-102

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Lamar University	Student Financial Assistance Cluster	Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-103
		Special Tests and Provisions – Return of Title IV Funds	2023-104
		Special Tests and Provisions – Enrollment Reporting	2023-105
Sam Houston State University	Student Financial Assistance Cluster	Eligibility Reporting	2023-106
		Special Tests and Provisions – Disbursements To or On Behalf of Students	
		Special Tests and Provisions – Return of Title IV Funds	
		Special Tests and Provisions – Enrollment Reporting	
		Eligibility	2023-107
		Special Tests and Provisions – Return of Title IV Funds	2023-108
Tarleton State University	Student Financial Assistance Cluster	Eligibility	2023-109
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-110
		Special Tests and Provisions – Return of Title IV Funds	2023-111
		Special Tests and Provisions – Enrollment Reporting	2023-112
Texas A&M University	Student Financial Assistance Cluster	Eligibility	2023-113
		Special Tests and Provisions – Enrollment Reporting	2023-114

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Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Southern University	Student Financial Assistance Cluster	Eligibility	2023-115
		Reporting	
		Special Tests and Provisions – Disbursements To or On Behalf of Students	
		Special Tests and Provisions – Return of Title IV Funds	
		Special Tests and Provisions – Enrollment Reporting	
		Eligibility	2023-116
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-117
Special Tests and Provisions – Return of Title IV Funds	2023-118		
Special Tests and Provisions – Enrollment Reporting	2023-119		
Special Tests and Provisions – Gramm-Leach-Bliley Act – Student Information Security	2023-120		
Texas State University	Student Financial Assistance Cluster	Eligibility	2023-121
Texas Tech University	Student Financial Assistance Cluster	Eligibility	2023-122
		Reporting	
		Special Tests and Provisions – Disbursements To or On Behalf of Students	
		Special Tests and Provisions – Return of Title IV Funds	
		Special Tests and Provisions – Enrollment Reporting	

The Honorable Greg Abbott, Governor
The Honorable Glenn Hegar, Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
Members of the Legislature, State of Texas

Agency/ University	Major Program	Compliance Requirement	Finding Number
Texas Tech University	Student Financial Assistance Cluster	Eligibility	2023-123
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-124
		Special Tests and Provisions – Return of Title IV Funds	2023-125
		Special Tests and Provisions – Enrollment Reporting	2023-126
		Special Tests and Provisions – Additional Locations	2023-127
Texas Tech University Health Sciences Center	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-128
The University of Texas at Arlington	Student Financial Assistance Cluster	Eligibility Reporting	2023-129
		Special Tests and Provisions – Disbursements To or On Behalf of Students	
		Special Tests and Provisions – Return of Title IV Funds	
		Special Tests and Provisions – Enrollment Reporting	
		Cash Management	2023-130
		Eligibility	2023-131
		Reporting	2023-132
		Special Tests and Provisions – Return of Title IV Funds	2023-133
Special Tests and Provisions – Enrollment Reporting	2023-134		

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Agency/ University	Major Program	Compliance Requirement	Finding Number
The University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	2023-135
		Reporting	
		Special Tests and Provisions – Disbursements To or On Behalf of Students	
		Special Tests and Provisions – Return of Title IV Funds	
		Special Tests and Provisions – Enrollment Reporting	
The University of Texas at Dallas	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-136
		Special Tests and Provisions – Enrollment Reporting	2023-137
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-138
		Eligibility	2023-139
The University of Texas at El Paso	Student Financial Assistance Cluster	Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-140
		Special Tests and Provisions – Enrollment Reporting	2023-141
The University of Texas at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds	2023-142
		Special Tests and Provisions – Enrollment Reporting	2023-143
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-144
The University of Texas Health Science Center at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-145

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Agency/ University	Major Program	Compliance Requirement	Finding Number
The University of Texas Health Science Center at San Antonio	Student Financial Assistance Cluster	Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-146
The University of Texas Permian Basin	Student Financial Assistance Cluster	Eligibility Reporting Special Tests and Provisions – Disbursements To or On Behalf of Students Special Tests and Provisions – Return of Title IV Funds Special Tests and Provisions – Enrollment Reporting	2023-147
		Eligibility	2023-148
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-149
		Special Tests and Provisions – Return of Title IV Funds	2023-150
		Special Tests and Provisions – Enrollment Reporting	2023-151
The University of Texas Rio Grande Valley	Student Financial Assistance Cluster	Special Tests and Provisions – Enrollment Reporting	2023-152
University of Houston	Student Financial Assistance Cluster	Eligibility	2023-153
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-154
		Special Tests and Provisions – Return of Title IV Funds	2023-155
		Special Tests and Provisions – Enrollment Reporting	2023-156

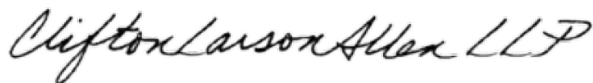
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Agency/ University	Major Program	Compliance Requirement	Finding Number
University of Houston	Student Financial Assistance Cluster	Special Tests and Provisions – Gramm-Leach-Bliley Act – Student Information Security	2023-157
University of North Texas	Student Financial Assistance Cluster	Reporting	2023-158
		Special Tests and Provisions – Disbursements To or On Behalf of Students	2023-159
		Special Tests and Provisions – Return of Title IV Funds	2023-160
		Special Tests and Provisions – Enrollment Reporting	2023-161
		Special Tests and Provisions – Perkins Loan Recordkeeping and Record Retention	2023-162

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Texas’s response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The State of Texas’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Texas
 February 22, 2024



A Summary Report on

Full-time Equivalent State Employees for Fiscal Year 2023

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

In fiscal year 2023, state agencies and higher education institutions reported an average of **341,304.6** full-time equivalent (FTE) employees, an **increase** of 13,250.8 FTEs (or 4.0 percent) compared with fiscal year 2022. This increase is primarily a result of a growth in FTEs at higher education institutions, which employed 58.8 percent of the State's workforce.

Statewide, the majority of FTEs (64.1 percent) were paid from appropriated funds (state and federal appropriations).

- [Background](#) | p. 3
- [Project Objective](#) | p. 20

This project was conducted in accordance with Texas Government Code, Sections 2052.103 and 2052.104.

CHANGES IN FULL-TIME EQUIVALENT (FTE) LEVELS

Compared with fiscal year 2022, FTEs at state agencies increased by 2.5 percent and FTEs at higher education institutions increased by 5.1 percent. Compared with five years ago in fiscal year 2019, FTEs at state agencies decreased by 3.9 percent and FTEs at higher education institutions increased by 10.2 percent.

[Chapter 1 | p. 5](#)

STATEWIDE FTE EMPLOYEE DATA

On average, 98.3 percent of FTEs at state agencies and 40.1 percent of FTEs at higher education institutions were paid from appropriated funds (state and federal appropriations). Higher education institutions reported an average of 200,721.1 FTEs. State agencies reported an average of 140,583.5 FTEs.

[Chapter 2 | p. 8](#)

LEGISLATIVELY MANDATED LIMITATIONS ON STATE EMPLOYMENT LEVELS

The total state employment FTE limitation in fiscal year 2023 was 216,080.1 FTEs, an increase of 200.7 FTEs (or 0.1 percent) compared with fiscal year 2022.

The majority of state agencies and higher education institutions complied with their legislatively mandated FTE limitations.

[Chapter 3 | p. 17](#)

MANAGEMENT-TO-STAFF RATIOS

State agencies and higher education institutions with more than 100 FTEs are statutorily required to maintain a ratio of manager/supervisor FTEs to staff FTEs of no more than **1:11**. In fiscal year 2023, state agencies averaged a ratio of **1:10.2**, while higher education institutions averaged a ratio of **1:9.3**.

[Chapter 4 | p. 19](#)

Supplemental Information



For information on the State Auditor's Office's multiple online systems, which collect and maintain state employee workforce data for state agencies and higher education institutions, see the [Online Systems page](#) on our website.

Additional summary information on FTEs, including information by state agency and higher education institution, is available via the online [State Employee FTE System and Dashboard](#) on our website.

Background Information

The State Auditor’s Office (SAO) compiles full-time equivalent (FTE) employee data from state agencies and higher education institutions in accordance with Texas Government Code, Chapter 2052. State agencies and higher education institutions report that data on a quarterly basis using the SAO’s FTE System (see text box).

FTE Formula. The number of FTE employees at an agency or higher education institution is equal to the total number of hours paid in a quarter divided by the total number of work hours in the quarter, as shown in the following formula:

$$\text{Number of FTEs} = \left(\frac{\text{Total number of hours paid in a quarter}}{\text{Total number of work hours in a quarter}} \right)$$

This report focuses on FTE levels at state agencies and higher education institutions. In contrast, the SAO’s reports on classified employee turnover focus on employee headcounts for full-time and part-time classified employees at state agencies. Because FTE reports and turnover reports focus on different populations, the numbers in those reports should not be compared. (See text box for headcount and FTE definitions.)

10-Year Trend. [Chapter 1](#) of this report describes FTE changes using one-year and five-year periods. For context, Figure 1 on the next page provides the 10-year trend: between fiscal year 2014 and fiscal year 2023, higher education institutions’ FTEs increased by 22.9 percent while state agencies’ FTEs decreased by 4.7 percent.

FTE System

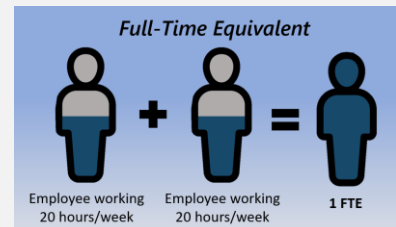
The FTE System maintains unaudited FTE information reported by state agencies and higher education institutions. Data in the FTE System may differ from data in this report because state agencies and higher education institutions periodically submit updated information to the FTE System.

The FTE System is accessible on the [State Auditor’s Office’s website](#).

Headcount and FTE Differences



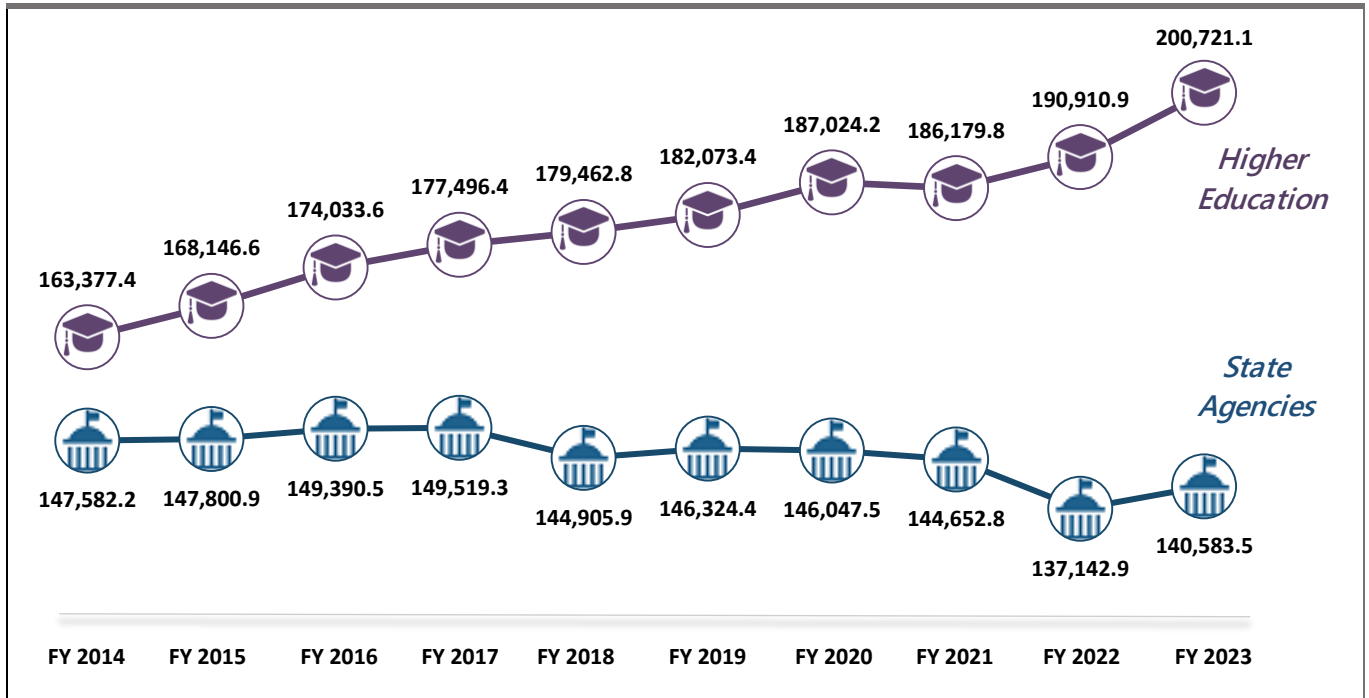
Headcount – Total number of full-time and part-time employees.



FTE employee – A ratio that represents the number of hours that an employee works compared to 40 hours a week, which is generally considered full-time employment. One FTE is any combination of employees whose hours total 40 hours a week. For example, 2 employees who each work 20 hours a week together equal 1.0 FTE.

Figure 1

Ten-Year Annual FTE Levels by State Agencies and Higher Education Institutions ^a



^a State agencies and higher education institutions may have submitted updates for prior reporting periods, which could cause differences between this report and reports that the State Auditor’s Office has previously issued.

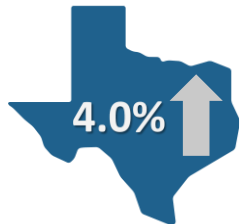
Source: FTE System, State Auditor’s Office.

Management-to-Staff Ratios. Also included in this report is information on management-to-staff ratios, which are used to determine the number of employees who report directly to a single manager or supervisor. Texas state agencies and higher education institutions have statutory requirements for this ratio. Texas Government Code, Section 651.004(c), specifies that an entity in the executive branch that employs more than 100 FTEs “...may not employ more than one full-time equivalent employee in a management position for every 11 full-time equivalent employees...in non-managerial staff positions.”

While the SAO did not independently verify the data that state agencies and higher education institutions reported, the data and information in this report were subject to certain procedures to ensure accuracy.



Chapter 1 Changes in Full-time Equivalent (FTE) Levels





Increase

Statewide FTEs increased in fiscal year 2023 compared to fiscal year 2022.


During fiscal year 2023, state agencies and higher education institutions reported an average of **341,304.6** FTEs. That was an **increase** of 13,250.8 FTEs (or 4.0 percent) compared with the average number of FTEs reported in fiscal year 2022 (328,053.8). The majority of that increase came from higher education institutions. Specific changes in FTE levels for one-year and five-year periods are listed below.

State Agencies

 **One-year change:** State agencies reported an average of **140,583.5** FTEs in fiscal year 2023. That was an **increase** of 3,440.6 FTEs (or 2.5 percent) since fiscal year 2022.

 **Five-year change:** Compared to fiscal year 2019, state agencies reported an average of 140,583.5 FTEs in fiscal year 2023, a **decrease** of 5,740.9 FTEs (or 3.9 percent).

Higher Education Institutions

 **One-year change:** Higher education institutions reported an average of **200,721.1** FTEs in fiscal year 2023. That was an **increase** of 9,810.2 FTEs (or 5.1 percent) since fiscal year 2022.


 **Five-year change:** Compared to fiscal year 2019, higher education institutions reported an average of 200,721.1 FTEs in fiscal year 2023, an **increase** of 18,647.7 FTEs (or 10.2 percent). This increase is attributed, in part, to the growth of the 7 medical institutions of The University of Texas System, which accounted for 81.1 percent (or 15,121.9 FTEs) of the 5-year growth in FTEs at higher education institutions.

Figure 2 shows the one-year and five-year comparisons in FTE levels by General Appropriations Act (GAA) article (see text box). See [Appendix 4](#) and [Appendix 5](#) for information on FTE levels and trends at state agencies and higher education institutions.

General Appropriations Act Articles

State agencies and higher education institutions are organized under administrative sections, called articles, in the General Appropriations Act.

Figure 2

One-Year and Five-Year Change in Annual FTE Levels by GAA Article

GAA Article	Fiscal Year 2023 Annual Average	One-year Comparison (Change from Fiscal Year 2022 to Fiscal Year 2023)		Five-year Comparison (Change from Fiscal Year 2019 to Fiscal Year 2023)	
		Change in Number of FTEs	Percent Change	Change in Number of FTEs	Percent Change
Article I - General Government	9,454.1	131.3	▲ 1.4%	(131.4)	▼ (1.4%)
Article II - Health and Human Services	49,792.1	1,510.1	▲ 3.1%	(1,724.8)	▼ (3.3%)
Article III - Higher Education	200,721.1	9,810.2	▲ 5.1%	18,647.7	▲ 10.2%
Article III - Public Education	3,261.3	282.1	▲ 9.5%	638.6	▲ 24.3%
Article IV - The Judiciary	1,814.6	17.9	▲ 1.0%	67.5	▲ 3.9%
Article V - Public Safety and Criminal Justice	43,090.4	853.5	▲ 2.0%	(6,069.0)	▼ (12.3%)
Article VI - Natural Resources	8,727.6	265.6	▲ 3.1%	527.1	▲ 6.4%
Article VII - Business and Economic Development	19,049.3	268.5	▲ 1.4%	1,165.1	▲ 6.5%
Article VIII - Regulatory ^a	3,461.0	23.2	▲ 0.7%	43.2	▲ 1.3%
Article X - The Legislature	1,933.1	88.4 ^b	▲ 4.8%	(257.2)	▼ (11.7%)
Statewide (Excluding Higher Education)	140,583.5	3,440.6	▲ 2.5% ^c	(5,740.9)	▼ (3.9%) ^c
Statewide (Including Higher Education)	341,304.6	13,250.8	▲ 4.0% ^c	12,906.8	▲ 3.9% ^c

^a Includes self-directed, semi-independent agencies, although they are not listed in the GAA.

^b This number reflects the increase in FTEs that occurs in odd-numbered years when there is a regular session of the Legislature.

^c Percentage is not the sum of the individual percentages.







Source: FTE System, State Auditor’s Office.

FTEs increased at higher rates in the second half of fiscal year 2023.

As shown in Figure 3, FTE levels progressively increased in each of the four quarters in fiscal year 2023 compared to the FTE levels during those same time periods in fiscal year 2022. The highest growth in FTEs occurred in the second half of the fiscal year, with the fourth quarter having the most significant increase.

Figure 3

FTE Quarterly Comparison Between Fiscal Years 2022 and 2023 ^a

Fiscal Year 2022				Fiscal Year 2023			Percent Change
Time Period ^b	 State Agencies	 Higher Education Institutions	 Totals	 State Agencies	 Higher Education Institutions	 Totals	Quarterly Change (from FY 2022 to FY 2023)
Quarter 1	138,135.8	196,806.5	334,942.3	137,494.4	205,050.9	342,545.3	▲ 2.3%
Quarter 2	136,659.7	193,571.5	330,231.2	138,937.7	203,244.9	342,182.6	▲ 3.6%
Quarter 3	136,175.8	197,295.9	333,471.7	141,684.4	207,458.4	349,142.8	▲ 4.7%
Quarter 4	137,588.6	175,963.5	313,552.1	144,118.6	187,124.3	331,242.9	▲ 5.6%
Annual Average ^c	137,142.9	190,910.9	328,053.8	140,583.5	200,721.1	341,304.6	▲ 4.0%

^a State agencies and higher education institutions may have submitted updates for prior reporting periods, which could cause differences between this report and reports that the State Auditor’s Office has previously issued.

^b Quarter 1 includes September, October, and November; Quarter 2 includes December, January, and February; Quarter 3 includes March, April, and May; and Quarter 4 includes June, July, and August.

^c Annual averages are not averages of the quarterly data presented.

Source: FTE System, State Auditor’s Office.

Chapter 2

Statewide FTE Employee Data

The majority of FTEs statewide were paid from appropriated funds.

Statewide, in fiscal year 2023, 64.1 percent of FTEs were paid from appropriated funds (state and federal appropriations). That figure includes FTEs funded 100.0 percent by federal programs (see Figure 4). On average, in fiscal year 2023, 98.3 percent of FTEs at state agencies and 40.1 percent of FTEs at higher education institutions were paid from appropriated funds.

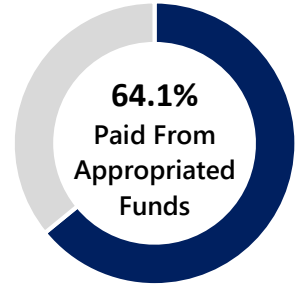


Figure 4

Statewide FTEs by Funding Source for Fiscal Year 2023

Entity	FTEs Paid from Appropriated Funds		FTEs Paid from Non-appropriated Funds		Contract FTEs ^a		Total FTEs
	Number of FTEs	Percent	Number of FTEs	Percent	Number of FTEs	Percent	
State Agencies	138,200.0	98.3%	1,520.7	1.1%	862.8	0.6%	140,583.5
Higher Education Institutions	80,535.6	40.1%	119,657.3	59.6%	528.2	0.3%	200,721.1
Statewide	218,735.6	64.1% ^b	121,178.0	35.5% ^b	1,391.0	0.4% ^b	341,304.6

^a For more information on contract FTEs, see page 16 in this chapter. Contract FTEs reported in this table are also paid from appropriated funds. However, for the purposes of this table and summary, contract FTEs are counted and reported separately from non-contract FTEs.

^b The statewide percentage is not the sum of the individual percentages.

Source: FTE System, State Auditor’s Office.



FTEs by GAA Article

Higher education institutions employed 58.8 percent of the State workforce in fiscal year 2023.

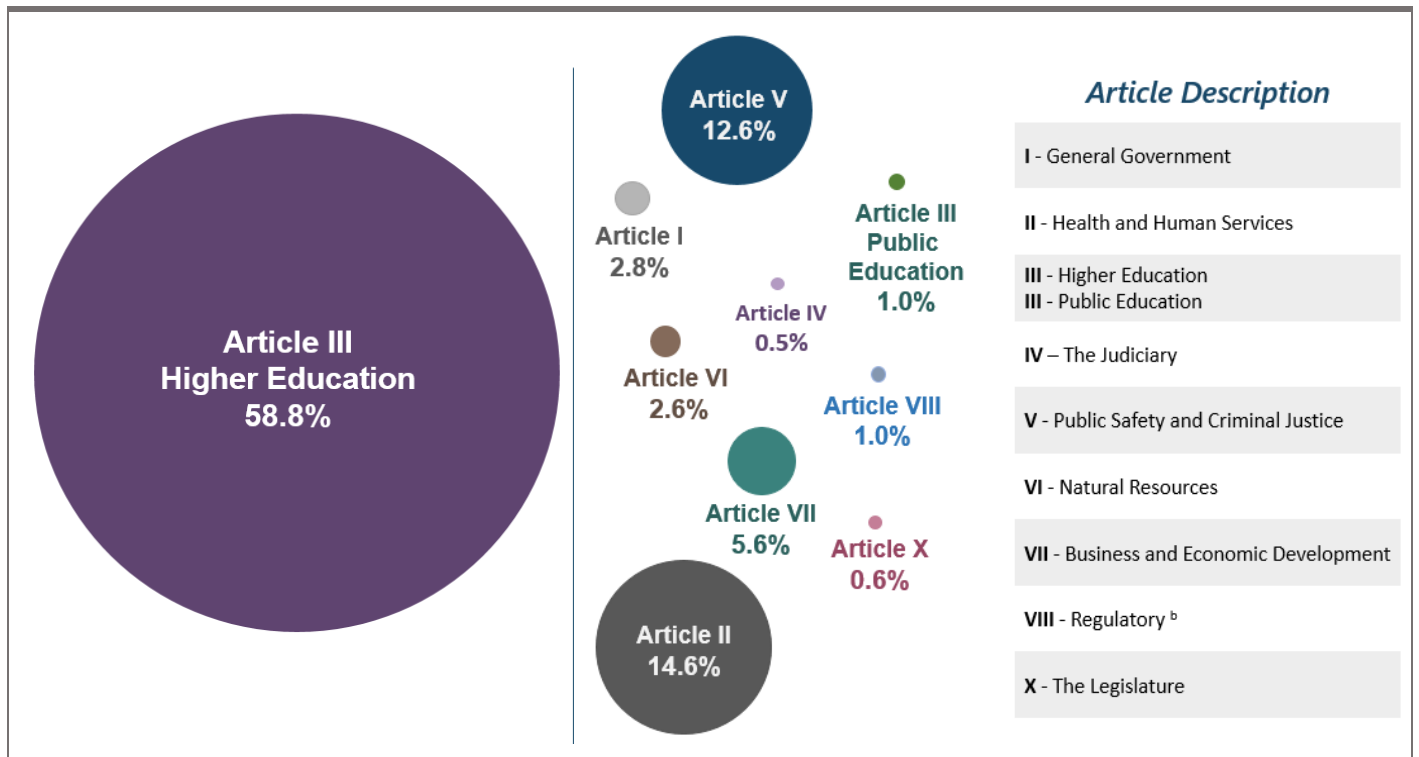
In fiscal year 2023, higher education institutions in Article III of the GAA employed more than half of the State workforce (see text box for definition). Health and human services agencies and public safety and criminal justice agencies (Articles II and V of the GAA, respectively) together employed 27.2 percent of the State workforce. Figure 5 shows the distribution of FTEs by GAA article.

Definition of State Workforce

For the purposes of this report, the term “State workforce” includes employees of both state agencies and higher education institutions.

Figure 5

FTE Distribution by GAA Article for Fiscal Year 2023 ^a



^a Percentages do not sum to 100.0 due to rounding.

^b Includes self-directed, semi-independent agencies, although they are not listed in the GAA.



FTE Levels at Higher Education Institutions

The University of Texas System employed the majority of higher education FTEs in fiscal year 2023.

Figure 6 shows the distribution of the State’s higher education FTEs by university system (see text box) for fiscal year 2023. In fiscal year 2023, The University of Texas System employed 60.1 percent of all higher education FTEs.

For a detailed list of one-year and five-year changes in FTE levels at the higher education institutions within each university system, as well as those institutions that are independent, see [Appendix 5](#).

Higher Education Institutions

Article III of the GAA lists higher education institutions organized within seven university systems, as well as those that are identified as independent institutions, which are not part of a university system and are governed by their own boards.

A university system is the association of one or more public senior colleges or universities, medical or dental units, or other agencies of higher education under the policy direction of a single governing board.

The Texas A&M System Shared Services Center is included in the 74 higher education institutions but is not listed in Article III of the GAA.

Figure 6

Distribution of Higher Education FTEs by University System for Fiscal Year 2023

University System	Institutions Within the System	Annual Average FTEs	Percentage of State Higher Education Workforce	Percentage of State Workforce ^a
The University of Texas System	16	120,655.1	60.1%	35.4%
Texas A&M University System	23	31,236.9	15.6%	9.2%
Texas Tech University System	6	15,394.5	7.7%	4.5%
Texas State University System	9	9,814.5	4.9%	2.9%
University of Houston System	6	9,500.9	4.7%	2.8%
University of North Texas System	4	8,122.3	4.0%	2.4%
Independent Universities	3	4,313.6	2.1%	1.3%
Texas State Technical College System	7	1,683.3	0.8%	0.5%
Totals	74	200,721.1	100.0%^b	58.8%^b

^a Percentages are based on an average of 341,304.6 FTEs in state agencies and higher education institutions.

^b Percentages do not sum precisely due to rounding.

Source: FTE System, State Auditor’s Office.

Figure 7 shows the 10 higher education institutions with the highest annual average FTEs in fiscal year 2023. These 10 institutions represented 63.4 percent of the State’s higher education workforce and 37.3 percent of the entire State workforce.

Figure 7

Ten Higher Education Institutions with the Highest Annual Average FTEs for Fiscal Year 2023

Rank	Higher Education Institution	Annual Average FTEs	Percentage of State Higher Education Workforce ^a	Percentage of State Workforce ^b
1	The University of Texas M.D. Anderson Cancer Center	23,578.9	11.7%	6.9%
2	The University of Texas Southwestern Medical Center	21,354.3	10.6%	6.3%
3	The University of Texas at Austin	18,827.0	9.4%	5.5%
4	The University of Texas Medical Branch at Galveston	13,461.9	6.7%	3.9%
5	Texas A&M University	11,872.7	5.9%	3.5%
6	The University of Texas Health Science Center at Houston	11,790.5	5.9%	3.5%
7	Texas Tech University	7,057.7	3.5%	2.1%
8	The University of Texas Health Science Center at San Antonio	6,803.4	3.4%	2.0%
9	University of Houston	6,604.4	3.3%	1.9%
10	University of North Texas	5,935.2	3.0%	1.7%
Totals		127,286.0	63.4%	37.3%

^a Percentages are based on an average of 200,721.1 FTEs in higher education institutions.

^b Percentages are based on an average of 341,304.6 FTEs in state agencies and higher education institutions.

Source: FTE System, State Auditor’s Office.

FTEs by Employee Type at Higher Education Institutions

Figure 8 compares higher education institutions' FTE data reported by quarter for fiscal years 2022 and 2023, for administrators, faculty, and staff. In fiscal year 2023, total FTEs in higher education institutions **increased** 5.1 percent compared to fiscal year 2022. Specifically:

- Administrator FTEs increased by 0.9 percent.
- Faculty FTEs increased by 2.9 percent.
- Staff FTEs increased by 5.8 percent.

Figure 8

Higher Education Institutions' FTEs Reported for Each Quarter of Fiscal Years 2022 and 2023

Time Period	Fiscal Year 2022				Fiscal Year 2023			
	Administrators ^a	Faculty ^b	Staff ^c	Totals ^d	Administrators ^a	Faculty ^b	Staff ^c	Totals ^d
Quarter 1	3,135.6	40,849.5	152,818.8	196,806.5	3,133.3	41,656.1	160,259.6	205,050.9
Quarter 2	3,136.0	40,941.9	149,489.5	193,571.5	3,132.4	41,737.7	158,375.3	203,244.9
Quarter 3	3,127.1	40,437.5	153,730.9	197,295.9	3,153.0	41,654.6	162,649.4	207,458.4
Quarter 4	3,035.7	24,200.0	148,726.2	175,963.5	3,125.8	25,629.8	158,368.3	187,124.3
Annual Average^e	3,109.4	36,608.2	151,192.2	190,910.9	3,137.1	37,670.1	159,914.2	200,721.1
Percentage Change Between Fiscal Year 2022 and Fiscal Year 2023					0.9%	2.9%	5.8%	5.1%

^a Includes chancellor, vice chancellor, associate chancellor, assistant chancellor, president, vice president, associate vice president, assistant vice president, dean, associate dean, assistant dean, and any other administrative position having similar responsibilities to those positions.

^b Includes positions with the purpose of conducting instruction, research, or public service as a principal activity. Individuals appointed to those positions may hold academic rank titles of professor, associate professor, assistant professor, instructor, lecturer, or the equivalent of any of those academic ranks. Adjunct faculty are included in this category. Faculty does not include graduate, instruction, or research assistants.

^c Includes graduate and student assistants, individuals who meet the reporting criteria of "contract worker," and all other positions not reported as administrators or faculty.

^d Totals are not the sum of the subtotals presented.

^e Annual averages are not the averages of the quarterly data presented.

Sources: Section 5(7)(b), page III-268, the GAA (87th Legislature), defined administrators; the State Auditor's Office developed the definitions of faculty and other staff; and the State Auditor's Office's FTE System provided the reported FTE data.

Appendix 3

Higher Education Institutions That Exceeded FTE Limitations

Figure 16 shows the 17 higher education institutions’ explanations for exceeding their **annual** limitations. The numbers represent the annual average full-time equivalent (FTE) employees subject to the annual limitations on state employment levels (otherwise known as the *FTE cap*) paid from appropriated funds, including contract FTEs. [Chapter 3](#) provides more information on mandated FTE limitations.

Figure 16

Higher Education Institutions That Exceeded Their Legislatively Mandated Annual FTE Limitations in Fiscal Year 2023

Higher Education Institution Number and Name	Annual FTE Limitation	FTEs Reported (Subject to the Annual Limitation)	FTEs Over Annual Limitation	Percentage Over Annual Limitation	Reason for Exceeding the Annual Limitation (Reported by the Higher Education Institution)
575 – Texas Division of Emergency Management	372.4	399.7	27.3	7.3%	<i>TDEM has increased in FTE size due to available federal funding and the continuance to propel emergency management preparedness, response, recovery and mitigation for the state of Texas.</i>
712 – Texas A&M Engineering Experiment Station	842.4	1,011.6	169.2	20.1%	<i>TEES is a research agency affiliated with Texas A&M University and has recorded an average of 1,011.6 FTE’s paid from appropriated funds during FY23. This increase of 169.2 FTE’s over the limitation is not in General Revenue or General Revenue – Dedicated, but is due to an increase in externally, competitive sponsored research grants, mostly Federal funds, as TEES continues its focus to target</i>

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					<i>new research opportunities including large-dollar, multi-year research proposals. During the summer months, there is an increase in research expenditures and accompanying FTE's as University Engineering Faculty move from academic sources to research grant funding (i.e. TEES funding sources) for their efforts.</i>
719 – Texas State Technical College System Administration	28.3	29.8	1.5	5.3%	<i>Our headcount exceeded the limit during a period of transition during reorganization of our staff and faculty. Though the limit was exceeded for this appropriation area, TSTC as a whole was still under the combined maximum FTE cap and we are diligently making changes to fall within the published maximum.</i>
727 – Texas A&M Transportation Institute	419.7	459.6	39.9	9.5%	<i>During FY23, TTI experienced continued research growth, leading to increases in hiring of professional research staff. Because research funds are considered appropriated, this led to our exceeding the FTE cap. It should be noted that these employees are funded from external research sponsors and not by general revenue.</i>
729 – The University of Texas Southwestern Medical Center	1,747.7	1,759.9	12.2	0.7%	<i>UTSW experienced a slight shift in our mix between faculty and non-faculty sourced on state funds. While all funds were used, this change in mix caused us to exceed the cap by 12 FTEs.</i>

Higher Education Institution Number and Name	Annual FTE Limitation	FTEs Reported (Subject to the Annual Limitation)	FTEs Over Annual Limitation	Percentage Over Annual Limitation	Reason for Exceeding the Annual Limitation (Reported by the Higher Education Institution)
733 – Texas Tech University	2,536.9	2,555.3	18.4	0.7%	<i>TTU is experiencing enrollment growth and is therefore seeing a related increase in FTE to support the enrollment growth. TTU is within the limitation allowed in GAA article IX, sec. 6.10 (a)(1)(B)(ii).</i>
734 – Lamar University	951.3	1,037.1	85.8	9.0%	<i>Increase in Staffing needed due to increase in student enrollment and returning back to normal hiring and staffing levels following the pandemic.</i>
738 – The University of Texas at Dallas	1,468.3	1,526.0	57.7	3.9%	<i>As the University continues to grow, additional faculty and support staff are needed to continue academic quality. The University reached Tier One status for a research university and with that, is receiving more contracts and grants funding and hiring the necessary staff to conduct it.</i>
744 – The University of Texas Health Science Center at Houston	1,972.1	1,983.2	11.1	0.6%	<i>The average of the four quarters of state appropriated FTE is within the limitation when incorporating the 50 FTE in Rider Appropriation Art IX, Sec 6.10(a)(1), Board or Administrator FTE Adjustment (2022-23 GAA).</i>
746 – The University of Texas Rio Grande Valley	1,560.2	1,603.2	43.0	2.8%	<i>The FTE limitation was exceeded due to an increase in staff and student employment needed to support new academic programs.</i>

Higher Education Institution Number and Name	Annual FTE Limitation	FTEs Reported (Subject to the Annual Limitation)	FTEs Over Annual Limitation	Percentage Over Annual Limitation	Reason for Exceeding the Annual Limitation (Reported by the Higher Education Institution)
748 – The University of Texas Rio Grande Valley School of Medicine	358.5	522.3	163.8	45.7%	<i>The FTE limitation was exceeded due to the continuous growth in the School of Medicine and the additional funding received from THECB for the hiring of Residents into the GME programs.</i>
752 – University of North Texas	2,066.9	2,167.9	101.0	4.9%	<i>Continued increase in Freshman and Graduate enrollment levels contributed to Faculty/Staff growth numbers.</i>
766 – University of Houston College of Medicine	91.4	96.4	5.0	5.5%	<i>The college of medicine continues to be in a growth phase. As planned, student enrollment increased and as a result additional faculty and staff have come on board. And a new direct primary care clinic has opened since last fiscal year's first quarter. The FTE cap has been increased for FY2024 – FY2025 to 135.9 to reflect that growth.</i>
769 – University of North Texas System Administration	107.4	113.0	5.6	5.2%	<i>The variance of 5.6 FTEs (5.2%) is within what is allowed per the GAA.</i>
789 – Lamar Institute of Technology	225.1	239.8	14.7	6.5%	<i>The excess above FTE limitations is due to new position creation within the organization, both within Staff and Faculty. These new roles were due to: new program growth within instruction, increased loads due to rising enrollment within existing programs, and new staff roles and/or departments stemming from shared services with two other local college campuses.</i>

Higher Education Institution Number and Name	Annual FTE Limitation	FTEs Reported (Subject to the Annual Limitation)	FTEs Over Annual Limitation	Percentage Over Annual Limitation	Reason for Exceeding the Annual Limitation (Reported by the Higher Education Institution)
921 – Texas State Technical College – North Texas	45.4	63.3	17.9	39.4%	<i>Our headcount exceeded the limit during a period of transition during reorganization of our staff and faculty. Though the limit was exceeded for this appropriation area, TSTC as a whole was still under the combined maximum FTE cap and we are diligently making changes to fall within the published maximum.</i>
922 – Texas State Technical College – Fort Bend	79.3	85.2	5.9	7.4%	<i>Our headcount exceeded the limit during a period of transition during reorganization of our staff and faculty. Though the limit was exceeded for this appropriation area, TSTC as a whole was still under the combined maximum FTE cap and we are diligently making changes to fall within the published maximum.</i>

Source: FTE System, State Auditor’s Office.



Texas State Technical College
Internal Audit
Attestation Disclosures

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

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