



OFFICE OF INTERNAL AUDIT

TEXAS STATE TECHNICAL COLLEGE

Internal Audit Annual Report Fiscal Year 2024

Prepared by
Jason D. Mallory, Chief Auditor

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

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

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

To comply with the requirements, TSTC Internal Audit will submit its Internal Audit Annual Report to the College's website coordinators to be posted on the Internal Audit section of the College's website no later than 30 days after the TSTC Board of Regents approves the current year audit plan at its August meeting. This Annual Report includes the approved fiscal year 2025 audit plan. Furthermore, all Internal Audit reports are posted in the Board of Regents section of the TSTC website under the meeting agendas section. These are posted within 30 days after each meeting of the Board of Regents. These reports include detailed summaries of the weaknesses, deficiencies, wrongdoings, or other concerns found during each audit, if any, as well as summaries of the actions taken by the College to address those concerns. Information is available as far back as August 2015.

II. Internal Audit Plan for FY 2024

The Board of Regents approved the original internal audit plan for FY 2024 on August 10, 2023, with Minute Order #IA 02-23(c). There were no deviations from the internal audit plan.

Texas Government Code §2102.005(b) requires a state agency to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts. To comply with this provision, an internal audit of contract compliance is conducted annually. In FY 2024, an audit related to a compliance audit of a construction contract currently in progress on the Waco campus was in progress at the time of this report was being created. That report, when issued, will be listed as Report #24-038A. Any material exceptions will be identified. Furthermore, cost recovery audits were outsourced under delegation #719-2023-002 for 8 construction projects with total costs over \$241 million. All audits were still in progress at August 31, 2024.

An audit of benefits proportionality was conducted in FY 2022 to address the benefits proportionality audit requirement prescribed in Rider 8, page III-50, of the General Appropriations Act of the 87th Legislature. Dated December 9, 2021, Report # 22-008A includes one finding in which \$67,984.46 in disallowed benefits were paid from appropriated funds. That amount was refunded to the Comptroller's Office on November 8, 2021. In FY 2023, another limited scope audit of benefits proportionality was performed due to a change in relied upon processes. Process were identified that needed minor improvements, but no overpayment by appropriated funds was found. That report is represented below as Report #23-019A. It was completed on August 14, 2023.

Fiscal Year 2024 Internal Audit Plan

Project Description	Division/Campus	Report Number	Report Date	Status
TEC §51.9337 (Contracting) Audit – satisfies annual audit requirement of contracts	Finance	24-038A	In Progress	In Progress
Internal/External Audit Quality Assessment Review	Internal Audit	24-004A	6/14/2024	Complete
Grant Audit - TWC Training for Demand Occupations Pilot Grant	Office of Sponsored Programs	24-008A	12/4/2023	Complete
Public Funds Investment Act Compliance Audit	Finance	24-005A	11/10/23	Complete
Procurement Card Audit	Procurement	24-018A	5/14/24	Complete

Internal Penetration Test – Marshall campus	OIT/Security	24-024A	6/6/2024	Complete
Internal Penetration Test – West Texas campuses	OIT/Security	24-029A	8/8/2024	Complete Note 1
PCI Compliance Audit	Finance/College-wide	24-002A	2/12/2024	Complete
TAC 202 Audit of CRIMES system	OIT	24-019A	5/23/2024	Complete
Student Grievance Process Audit	Retention Services	24-022A	6/27/2024	Complete
Fleet Management Audit	Campus Services	24-025A	In Progress	In Progress
Safety and Security Audit	Safety	24-007A	3/22/24	Complete
Accounting Controls (Foundation) Audit	Foundation	24-001A	9/6/2023	Complete
Quarterly Follow-up of TAC 202 Controls	OIT	24-009A	7/1/2024, 3/31/2024, 12/31/2024, 10/31/2024	Complete
Construction Project Audits (8 audits)	Construction	24-006A	In Progress	In Progress

Note 1: This report will be forward to agencies in November 2024 after it is presented to Board of Regents

Three FY 2023 audits were completed in the first quarter of FY 2024. Those were: Payroll and Benefits Proportionality Audit (23-019A), Facilities Maintenance Audit Harlingen Campus (23-021A), and Facilities Maintenance Audit Waco Campus (23-022A).

Reports for all completed audits listed above are posted in the Board of Regents section of the TSTC website under the meeting agendas section at <https://www.tstc.edu/about/board-of-regents>. Each report contains detailed summaries of the weaknesses, deficiencies, wrongdoings, or other concerns found during each audit, if any, as well as summaries of the actions taken by the College to address those concerns. Reports with Note 1 will be posted after they are presented to the Board of Regents in November 2024.

III. List of Consulting Engagements and Non-audit Services Completed in FY 2024

The following schedule summarizes projects, other than planned audits, that were completed or nearing completion.

Report #	Date	Project Description	Division /Campus	Summary of Observations and Recommendations	Status & Summary of CAPs
24-013I	1/09/2024	Reviewed misuse of a travel card.	Procurement	Identified personal purchases.	Complete: Employee was separated from employment.
24-027I	5/16/2024	Reviewed whether welfare assistance provided to a dual enrollment student required notification to State welfare services and police.	Student Retention/ Marshall	No compliance requirements were missed.	
24-026I	6/28/2024	Reviewed a concern of wasteful spending on travel, and non-compliance to internal procedures.	Human Resources	Identified questionable purchases and non-compliance	Complete: Enhanced review procedures were instituted, and employee was required to reimburse the College for one expense.
24-032I	7/19/2024	Reviewed complaint that Administrative Accounting Report omitted salary information.	Legislative Team	Did not identify any non-compliance because the expenses in question were not taxable fringe benefits.	
24-031I	7/22/2024	Reviewed anonymous complaint that an unnamed student	Instruction	No action could be taken because the alleged victim was unknown.	

		was being harassed.			
24-035P	7/26/2024	Assisted a manager with developing a self-audit checklist.	Testing	N/A	
24-033I	7/30/2024	Reviewed an allegation of financial aid fraud, records tampering, and other unrelated allegations.	Instruction	Did not find any merit to the allegations.	
24-023I	Pending Report	Reviewed errors identified on tax forms.	Payroll	An outside tax professional is currently reviewing the matter to formulate necessary action.	In progress

IV. External Audit Services Procured in FY 2024

One delegated request (#719-2023-001) was approved in FY 2023 for a series of cost recovery audits for construction projects. Additional delegation requests (#719-2023-002 & 719-2024-001) were approved in FY 2024 to extend the contract with the external auditor. The following schedule summarizes the audits that are in progress.

Auditor	Date of Report	Project Description
RL Townsend	Nearing completion	Cost recovery audit – being performed concurrently while a remodel project of the JBC building on the Waco campus is being performed.
RL Townsend	Nearing completion	Cost recovery audit – being performed concurrently while a campus annex is being built in Waco.
RL Townsend	In progress	Cost recovery audit - being performed concurrently while a building is being built on the Abilene campus.
RL Townsend	In progress	Cost recovery audit - being performed concurrently while a building is being built on the Waco campus.
RL Townsend	In progress	Cost recovery audit - being performed concurrently while a building is being built on the Marshall campus.
RL Townsend	In progress	Cost recovery audit - being performed concurrently while a building is being built on the Fort Bend campus.
RL Townsend	In progress	Cost recovery audit - being performed concurrently while a building is being built on the Harlingen campus.

V. Internal Audit Plan for FY 2025

The plan was developed through a collaborative effort between Internal Audit, Executive Management, Senior Management, and the Board of Regents. Multiple activities and functions throughout the College were assessed for financial, fraud, regulatory/compliance, and presence sensitive information. TAC 202 and technology risks were also considered in the planning. Management and the Board were also requested to provide a list of specific audits they wanted performed. All regulatory-required audits were included in the Audit Plan. Other than the areas actually selected for audit, consideration was given to risks associated with dual enrollment, student access and accommodation, dual enrollment, retention and enrollment services, and numerous software applications other than the ones selected for audit.

As is done every year, benefits proportionality was considered for an audit. It was not selected because it was audited in both FY 2022 and FY 2023, as well as numerous other times within the last 11 years. The TEC §51.9337 (Contracting) Audit is intended to satisfy the annual contracting audit requirement. Our planning process yielded the following audit plan for FY 2025:

Audit Name	Budgeted Hours
TEC §51.9337 (Contracting) Audit – satisfies annual audit requirement of contracts	200
SB 17 Compliance	200
Federal Financial	700
Student Discipline Process	600
Workforce Training	300
Hiring Process	300
Travel	640
Tuition	700
Course Syllabi	455
Internal Network Penetration Testing (3 campuses)	600
Workday TAC 202	555
Construction Project Audits (7-9 audits)	External Auditor
Clery Compliance	300
Quarterly Follow-up of TAC 202 Controls	200

The FY 2025 Audit Plan was approved by the Board of Regents on August 8, 2024, by Minute Order #IA 01-24(c).

VI. Reporting Suspected Fraud and Abuse

TSTC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09, page IX-40 of the 88th Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

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

VIII. External Quality Assurance Review

An External Quality Assurance Review of the Internal Audit Department was completed on June 14, 2024, by Amanda Wallace, CPA. Ms. Wallace is the Chief Audit Officer for Baylor University. She is entirely independent from all auditors employed by the TSTC Internal Audit Department.

The results of the review indicated that TSTC Internal Audit Department generally conforms to standards. The Department was also commended for its well-crafted audit charter, and the high level of confidence expressed by senior management and the Board of Regents. A copy of the original report is attached.



Baylor University

June 14, 2024

Mr. Jason D. Mallory, Director of Internal Audit
Texas State Technical College
3801 Campus Drive
Waco, Texas 76705

Dear Mr. Mallory,

We have completed an external quality assurance review on the Internal Audit Department of the Texas State Technical College (TSTC). In conducting our review, we followed the standards and guidelines contained in the Peer Review Manual published by the State Agency Internal Audit Forum.

The primary objective of the review was to provide an opinion on whether the internal auditing program achieves the basic requirements expected of internal auditing activities at all State of Texas institutions of higher education. Those requirements are set forth in the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors' Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards. For purposes of this review, we collectively refer to these as "the Standards".

Opinion Rating Definitions

The rating system used for expressing an opinion for this review is defined by the Standards, and provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

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

Results and Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the TSTC Internal Audit Department receives a rating of *Generally Conforms*.

Key Strengths

As required by the Standards, TSTC has a well-crafted audit charter that clearly defines the audit function's purpose, authority, and responsibility. The Director and audit staff have unrestricted access to all TSTC personnel, records, and property. Additionally, interviews with senior leaders and members of the board revealed a high degree of confidence in the audit function, with many complimenting the professionalism, thoroughness, and transparency of the audit team.

We would like to thank the TSTC Internal Audit staff as well as other TSTC representatives for their assistance during the review.

Sincerely,



Amanda R. Wallace, CPA
Chief Audit Officer
Baylor University