



**SOUTH TEXAS
COLLEGE**

Internal Audit Annual Report Fiscal Year 2017

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I. Compliance with TGC Sec. 2102.015

Texas Government Code Section 2102.015 was added by House Bill 16 (83rd. Legislature) on June 14, 2013. House Bill 16 amended the Internal Auditing Act to require state agencies and institutions of higher education, as defined in the bill, to post agency internal audit plans, internal audit annual reports, and any weaknesses or concerns resulting from the audit plan or annual report on the entities' website, at the time and in the manner provided by the State Auditor's Office. Specifically, the College must post the following information within 30 days of approval by the Board of Trustees:

- The approved audit plan for the current fiscal year;
- The annual audit plan for the previous fiscal year;
- 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, South Texas College's Office of Internal Audits will submit its Internal Audit Annual Report to the website coordinators to be posted on the Internal Audit section of the College's website no later than 30 days after the Board of Trustees approves the current year audit plan at its July meeting. This report includes all the elements required by Texas Government Code Section 2102.015.

II. Internal Audit Plan for Fiscal Year 2016 & 2017

On April 4, 2016 South Texas College hired an Internal Auditor tasked with establishing the Office of Internal Audits. The Internal Auditor oversaw the establishment of the internal audit function in accordance with the Institute of Internal Auditor's (IIA) *Standards* and South Texas College's Manual of Policy 5460 *Internal Audit Function*. On May 24, 2016 South Texas College's Board of Trustees approved the audit plan for the remaining months of FY 2016 and FY 2017. All audits that were not completed in FY 2016 were carried over and included in the FY 2017 audit plan.

FY 2016 (Scheduled)

- Fraud Survey
- Surprise Cash Counts – Cashiers Office
- Departmental Fixed Assets
- Human Resources – Employment Eligibility Verification Form I-9 (U.S. Citizenship and Immigration Services)
- Mileage Reimbursement Procedures
- Food Services Department Cash Handling Procedures

FY 2017 (Scheduled)

- Fraud Survey
- Property Taxes – Internal controls of Hidalgo County and Starr County Tax Assessor Collector's tax assessing, collecting, and reporting procedures and processes (pertaining to the College's tax transactions)
- Time Keeping System Compliance
- Custodial Services – Work Orders, Purchase Orders, and Inventory
- Student Activities Procedures
- Banner Computer System Security and Access

Office of Internal Audits
Fiscal Year 2017 Audit Plan

<u>Audits</u>	<u>Hours</u>	<u>Percent</u>
Surprise Cash Counts - Cashiers Office Audit	150	4%
HR Employment Eligibility Verification Form I-9 Audit	150	4%
Mileage Reimbursement Procedures Audit	250	6%
Food Services Department Cash Handling Procedures Audit	250	6%
Departmental Fixed Assets Audit	150	4%
Student Activities & Wellness Audit	150	4%
Custodial Services - Work Orders, Purchase Orders, and Inventory	150	4%
Time Keeping System Compliance Audit	150	4%
Banner Computer System Security and Access Audit	200	5%
Subtotal	1600	41%
<u>Consulting Engagements</u>	<u>Hours</u>	<u>Percent</u>
THECB Formula Funding	150	4%
2013 Bond Construction Project	75	2%
Property Taxes - Internal Control Review of Hidalgo and Starr Co. TAC	200	5%
Subtotal	425	11%
<u>Other Audit Responsibilities and Special Projects</u>	<u>Hours</u>	<u>Percent</u>
Fraud Survey	50	1%
Administration	250	6%
Annual Financial Report [CAFR]	100	3%
Align Office of Internal Audits with IIA Standards	600	15%
Professional Development & Training (CPE)	100	3%
Annual Risk Assessment & Risk Based Audit Plan	250	6%
Annual Report [Texas Govt. Code Sec. 2102.015]	200	5%
Follow-up engagements	150	4%
Unassigned/Unplanned/Mgmt. Special Requests	200	5%
Subtotal	1900	48%
Total	3925	100%

III. Consulting and Nonaudit Services Completed

Three consulting engagement was performed in FY 2017:

- THECB – Formula Funding
- 2013 Bond Construction Project
- Property Taxes – Internal Control Review of Hidalgo and Starr County Tax Assessor Collectors' tax assessing, collecting, and reporting procedures and processes (pertaining to the College's tax transactions).

IV. Audit Plan Summary of Findings and Corrective Action Plans

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
17-01	11/4/2016	Surprise Cash Counts - Cashiers Office	Library employees held incompatible cash handling responsibilities (e.g. handling cash and prep. Funds for deposit).	The Business Office will document the lack of separation of duties at the library in accordance with STC cash handling procedures.	Fully Implemented
17-01	11/4/2016	Surprise Cash Counts - Cashiers Office	Procedures manual was not comprehensive and was not consistently applied across all campuses.	The Library Services existing procedures manual will be revised and staff will receive training on a quarterly basis.	Fully Implemented
17-02	11/4/2016	Food Services Department Cash Handling Procedures	Customers who paid using cash did not receive a sales receipt.	Employees will be provided additional training and the issuance of receipts will be monitored.	Fully Implemented
17-02	11/4/2016	Food Services Department Cash Handling Procedures	A reconciliation of the Food Services accounts was not completed and documented.	Procedures will be established that detail the reconciliation process. Account reconciliations will be documented.	Fully Implemented
17-02	11/4/2016	Food Services Department Cash Handling Procedures	There was a lack of adequate separation of duties without obtaining approval from the Business Office.	Compensating controls have been established at locations where separating incompatible duties is not feasible.	Fully Implemented

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
17-03	2/17/2017	Mileage Reimbursement Procedures	Travel Office should communicate mileage reimbursement procedures to Financial Managers and supervisors and follow up with those who submit expense support documentation after-the-fact.	Alert Notices will be sent out entity-wide to communicate "Mileage Reimbursement Best Practices" to employees.	Fully Implemented
17-04	2/17/2017	HR Employment Eligibility Verification From I-9	A procedures was not in place to document the return of employment eligibility verification documentation back to the prospective employee.	An acknowledgement of return, initialed by the employee, will be incorporated into the new hire paperwork process to document the return of I-9 documentation provided.	Fully Implemented
17-04	2/17/2017	HR Employment Eligibility Verification From I-9	Periodic review of employee files should be conducted to ensure that all required documentation is retained.	The Office of Human Resources conducts periodic reviews of I-9 documentation to ensure compliance with applicable laws and regulations.	Fully Implemented
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Hidalgo County TAC Office - Security measures over the safeguarding of funds were not consistently applied at all tax collection sites.	Not Applicable	

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Hidalgo Co. TAC Office - Tax payers were instructed to make checks payable to the acting TAC rather than to the Hidalgo Co. Tax Assessor-Collector's Office.	Not Applicable	
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Hidalgo Co. TAC Office - Written procedures to document internal controls were not developed.	Not Applicable	
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Starr Co. TAC Office - Security measures over the safeguarding of funds were not consistently applied at all tax collection sites.	Not Applicable	
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Starr Co. TAC Office - Funds should be distributed via ACH / a check disbursement log should be utilized	Not Applicable	
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Starr Co. TAC Office - Written procedures to document internal controls were not developed.	Not Applicable	
17-05	6/20/2017	Internal Control Review of Hidalgo and Starr Co. TAC Office	Starr Co. TAC Office - System access limitations should be established based on employee job responsibilities.	Not Applicable	

V. Internal Audit Plan for Fiscal Year 2018

In accordance with the Institute of Internal Auditor's (IIA) *Standard* 2010, a formal audit plan is required for fiscal year (FY) 2018. An entity-wide risk assessment was conducted to evaluate each area based on current conditions, circumstances, and management concerns. Input to the annual plan was requested from the Board, the President, Vice presidents, and other senior managers. Major goals and institutional objectives were reviewed to identify areas where value-added audit services could be provided. On July 25, 2017 South Texas College's Board of Trustees approved the following projects for FY 2018.

FY 2018 (Scheduled)

1. Fraud Survey
2. Financial Aid – Third Party Programs
3. Clery Act, Title IX, and VAWA
4. Time Keeping System Compliance
5. Banner Computer System Security and Access
6. 2013 Bond Construction – Payment Applications
7. 2013 Bond Construction – Change Orders
8. 2013 Bond Construction – Broaddus & Associates Reconciliation of Budget and Actual Expenditures Reports at August 31, 2017
9. 2013 Bond Construction – Billings of Selected 2013 Bond Program Related Additional Services Consultants
10. Enrollment Audit (Traditional and Continuing Education)
11. Accounts Payable Commercial Card Use
12. Fleet Fuel Card Use

Office of Internal Audits
Fiscal Year 2018 Audit Plan

<u>Audits</u>	<u>Hours</u>	<u>Percent</u>
Departmental Fixed Assets Audit	50	1%
Student Activities & Wellness Audit	50	1%
Time Keeping System Compliance Audit	150	4%
Banner Computer System Security and Access Audit	200	6%
Financial Aid - Third Party Programs Audit	200	6%
Accounts Payable - Commercial Card Use Audit	150	4%
Fleet Fuel Card Use Audit	150	4%
Enrollment (Traditional and Continuing Education) Audit	250	7%
Clery Act / Title IX / VAWA Audit	200	6%
Subtotal	1400	39%
<u>Consulting Engagements</u>	<u>Hours</u>	<u>Percent</u>
2013 BCP - Payment Applications	200	6%
2013 BCP - Change Orders	200	6%
2013 BCP - Broaddus & Assoc. Reconciliation of Budget to Actual Exp.	150	4%
2013 BCP - Billings of Program Related Additional Services Consultants	250	7%
Subtotal	800	22%
<u>Other Audit Responsibilities and Special Projects</u>	<u>Hours</u>	<u>Percent</u>
Fraud Survey	50	1%
Administration	150	4%
Annual Financial Report [CAFR]	50	1%
Misc. data analytics / fraud detection procedures	100	3%
Align Office of Internal Audits with IIA Standards	150	4%
Professional Development & Training (CPE)	150	4%
Annual Risk Assessment & Risk Based Audit Plan Development	200	6%
Annual Report [Texas Govt. Code Sec. 2102.015]	200	6%
Follow-up engagements	150	4%
Unassigned/Unplanned/Mgmt. Special Requests	200	6%
Subtotal	1400	39%
Total	3600	100%

VI. External Audit Services Procured in Fiscal Year 2017

All external audit services that were procured or were ongoing in fiscal year 2017 by South Texas College are listed below.

- Long Chilton LLP - Annual Financial Statements Audit
- Texas Veterans Commission - Veterans Affairs Audit
- TAC 202 Information Security Compliance Assessment
- Texas Cybersecurity Framework Security Assessment
- TWC – Adult Education and Literacy Grant
- TWC – Review of CAFR for Fiscal Year ending August 31, 2016
- Texas Law Enforcement Telecommunications Systems (TLETS) Audit

VII. Reporting Suspected Fraud and Abuse

South Texas College has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the 84th Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- A confidential fraud hotline is available for employees to report suspected fraud.
- South Texas College solicits feedback from employees related to fraud through an annual fraud survey.
- Established formal guidelines for reporting and investigating suspected or known fraud, waste, abuse and other improprieties;
- South Texas College's *Guidelines for Reporting and Investigating Suspected or Known Fraud, Waste, Abuse and Other Improprieties* describes how to report suspected fraud to the State Auditor's Office and includes information on the State Auditor's Office Fraud, Waste, and/or Abuse Hotline.