



**SOUTH TEXAS
COLLEGE**

Internal Audit Annual Report Fiscal Year 2018

Prepared by:
The Office of Internal Audits
Khalil M. Abdullah

Table of Contents

I.	Compliance with TGC, Sec 2102.015	3
II.	Internal Audit Plan for Fiscal Year 2018	4
III.	Consulting and Nonaudit Services	6
IV.	Summary of Findings and Management’s Corrective Action Plan	7
V.	Internal Audit Plan for Fiscal Year 2019	9
VI.	External Audit Services – Fiscal Year 2018	11
VII.	Reporting Suspected Fraud and Abuse	11

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 2018

The Board of Trustees approved the internal audit plan for fiscal year 2018 on July 25, 2017. The audit plan was prepared using risk assessment techniques as required by the Institute of Internal Auditor (IIA) *Standards*. All audits that were not completed in FY 2018 were carried forward and included in the FY 2019 audit plan.

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 – Broadus & 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

FY 2018 Audit Plan - Engagements	Status of Plan
Risk Based Audits	
Departmental Fixed Assets Audit	11/8/2017
Student Activities & Wellness Audit	12/1/2017
Time Keeping System Compliance Audit	In Process
Banner Computer System Security and Access Audit	Moved to FY 2019
Financial Aid - Third Party Programs Audit	Moved to FY 2019
Accounts Payable - Commercial Card Use Audit	In Process
Fleet Fuel Card Use Audit	In Process
Enrollment (Traditional and Continuing Education) Audit	7/26/2018
Clery Act / Title IX / VAWA Audit	Moved to FY 2019
Consulting Engagements	
2013 BCP - Payment Applications	Closed
2013 BCP - Change Orders	Closed
2013 BCP - Broadus & Assoc. Reconciliation of Budget to Actual Exp.	1/19/2018
2013 BCP - Billings of Program Related Additional Services Consultants	Closed
Follow Up	
Student Activities & Wellness Audit	6/19/2018
Departmental Fixed Assets Audit	6/19/2018
Other Audit Responsibilities and Special Projects	
Fraud Survey	9/30/2017
Administration (e.g. set up activity, IA Protocols, Process swimlane, etc.)	Ongoing
Annual Financial Report [CAFR]	N/A
Misc. data analytics / fraud detection procedures	N/A
Align Office of Internal Audits with IIA Standards	N/A
Professional Development & Training (40 hrs.CPE)	Ongoing
Annual Risk Assessment & Risk Based Audit Plan Development	6/27/2018
Annual Report [Texas Govt. Code Sec. 2102.015]	8/14/2018
Unassigned/Unplanned/Mgmt. Special Requests	N/A

III. Consulting and Nonaudit Services

The Office of Internal Audit's staff worked on five consulting engagements in FY 2018:

- 2013 Bond Construction Program – Broaddus & Associates Reconciliation of Budget and Actual Expenditures Report at August 31, 2017;
- 2013 Bond Construction Program – Payment Applications;
- 2013 Bond Construction Program – Change Orders;
- 2013 Bond Construction Program – Billings of Selected 2013 Bond Program Related Additional Services Consultants

IV. Summary of Findings and Management's Corrective Action Plan

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
18-01	11/8/2017	Departmental Fixed Assets Audit	Unique asset tag number assigned to fixed assets were replaced with a different tag rather than the original unique asset identification tag number.	No plans for corrective action - Mgmt. assuming the risk.	N/A
18-02	12/1/2017	Student Activities & Wellness Audit	The department has not developed an internal procedures manual.	The department plans to create a document to remind/inform the staff of any additional procedures that we have that are not covered in Policy	Fully Implemented
18-02	12/1/2017	Student Activities & Wellness Audit	The department has not completed an assessment of risks.	The department will come up with a more concrete process and procedures to ensure that all staff are aware of risks and meet to discuss risks annually.	Fully Implemented
18-02	12/1/2017	Student Activities & Wellness Audit	The department has not established a formal procedure for completing monthly account reconciliations.	The department will establish a more detailed account reconciliation process.	Fully Implemented

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
18-02	12/1/2017	Student Activities & Wellness Audit	Student organization travel documentation was incomplete and missing authorizing signatures	All issues related to incompleted travel forms will be considered/revised/implemented during our review of the student travel process.	Fully Implemented
18-02	12/1/2017	Student Activities & Wellness Audit	Procedures were not consistently applied to all student organization and intramural sports student travel	The department is in the process of reviewing and revising the travel procedures to ensure consistency.	Fully Implemented
18-02	12/1/2017	Student Activities & Wellness Audit	Departmental forms referred to themselves as "policy." The forms were internal documents and were not Board approved policies.	The department's forms are under review and the word "policy" will be removed.	Fully Implemented
18-03	7/26/2018	Enrollment Audit (Traditional & CE)	The Compliance Coordinator is the only individual with proficient knowledge related to the submission of all CBM reports.	A new job position with similar responsibilities has been created. This new hire will serve as an assistant to the Compliance Officer and train on system processes/procedures that impact CBM	Pending Follow up
18-03	7/26/2018	Enrollment Audit (Traditional & CE)	One Operations Manager and one Compliance Technician are primarily responsible for verifying	A Customer Service Technician will be trained to assist and back up the Compliance Technician	Pending Follow up

V. Internal Audit Plan for Fiscal Year 2019

In accordance with the Institute of Internal Auditor's (IIA) *Standard* 2010, a formal audit plan is required for fiscal year (FY) 2019. 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 24, 2018 South Texas College's Board of Trustees approved the following projects for FY 2019.

FY 2019 (Scheduled)

1. Fraud Survey
2. Financial Aid – Third Party Programs
3. Clery Act, Title IX, and Violence Against Women Act
4. Banner Computer System Security and Access
5. Accounts Payable Commercial Card Use
6. Fleet Fuel Card Use
7. Time Keeping System Compliance
8. Enrollment Audit
9. Memorandum of Understanding (MOUs) for Early College High Schools and Dual Credit
10. Blueprint Expectations for Early College High Schools
11. Science Lab Safety and Storage Compliance
12. Human Resources Processes
13. Custodial Services Work Orders
14. Travel

Office of Internal Audits
Fiscal Year 2019 Audit Plan

FY 2019 Audit Plan - Engagements		
Risk Based Audits	Hours	Percent
Financial Aid - Third Party Programs	150	7%
Banner Computer System Security and Access	150	7%
Clery Act, Title IX, and Violence Against Women Act	200	9%
Accounts Payable Commercial Card Use	25	1%
Fleet Fuel Card Use	25	1%
Time Keeping System Compliance	25	1%
Enrollment Audit Traditional and Continuing Education	15	1%
Memorandum of Understanding (MOUs) for Early College High Schools and Dual Credit	150	7%
Blueprint Expectations for Early College High Schools	100	5%
Science Lab Safety and Storage Compliance	100	5%
Human Resources Processes	150	7%
Custodial Services Work Orders	150	7%
Travel	150	7%
Subtotal	1390	66%
Other Audit Responsibilities and Special Projects	Hours	Percent
Fraud Survey	50	2%
Administration (e.g. set up activity, IA Protocols, Process swimlane, etc)	100	5%
Annual Financial Report [CAFR]	50	2%
Misc. data analytics / fraud detection procedures	25	1%
Professional Development & Training (40 hrs.CPE)	100	5%
Annual Risk Assessment & Risk Based Audit Plan Development	150	7%
Annual Report [Texas Govt. Code Sec. 2102.015]	50	2%
Follow-up on reported findings	100	5%
Unassigned/Unplanned/Mgmt. Special Requests	100	5%
Subtotal	725	34%
Total	2115	100%

VI. External Audit Services – Fiscal Year 2018

All external audit services that were procured or were ongoing in fiscal year 2018 by South Texas College are listed below.

- Carr, Riggs & Ingram - Annual Financial Statement Audit;
- Texas Workforce Commission – Audit Report for fiscal year 2017;
- Texas Department of Agriculture – Child and Adult Care Food Program – Child Care Center;
- State Auditor’s Office (SAO) – Compliance of Public Funds Investment Act;
- Texas Department of Public Safety – Texas Law Enforcement Telecommunications System (TLETS)

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.