



**SOUTH TEXAS
COLLEGE**

Internal Audit Annual Report Fiscal Year 2019

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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 2019

The Board of Trustees approved the internal audit plan for fiscal year 2019 on July 24, 2018. 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 2019 were carried forward and included in the FY 2020 audit plan.

FY 2019 (Scheduled)

1. Fraud Survey
2. Financial Aid – Third Party Programs
3. Banner Computer System Security and Access
4. Clery Act, Title IX, and Violence Against Women Act (VAWA)
5. Accounts Payable Commercial Card Use
6. Fleet Fuel Card Use
7. Time Keeping System Compliance
8. Enrollment Audit (Traditional and Continuing Education)
9. Memorandum of Understanding 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	Status of Plan
Risk Based Audits	
Time Keeping System Compliance Audit	10/4/2018
Fleet Fuel Card Use	10/23/2018
AP Commercial Card Use	1/29/2019
Enrollmet Audit (Traditional & CE)	7/26/2018
Custodial Services	6/3/2019
Human Resources Processes - Faculty Crentials	In Process
Banner Computer System Security and Access Audit	In Process
Financial Aid - Third Party Programs Audit	In Process
Clery Act / Title IX / VAWA Audit	In Process
Travel	Moved to FY 2020
MOUs for Early College High School and Dual Credit	Moved to FY 2020
Blueprint Expectations for Early College High Schools	Moved to FY 2020
Science Lab Safety and Storage Compliance	Moved to FY 2020
Follow Up	
Time Keeping System Compliance Audit	10/31/2018
Enrollmet Audit (Traditional & CE)	11/7/2018
Custodial Services	7/11/2019
Other Audit Responsibilities and Special Projects	
Fraud Survey	9/30/2018
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 (QAIP)	N/A
Professional Development & Training (40 hrs.CPE)	Ongoing
Annual Risk Assessment & Risk Based Audit Plan Development	6/27/2019
Annual Report [Texas Govt. Code Sec. 2102.015]	8/13/2019
Unassigned/Unplanned/Mgmt. Special Requests	N/A

III. Consulting and Nonaudit Services

The Office of Internal Audit's staff worked on one consulting engagement in FY 2019:

- Late submission and processing of Notice of Employment (NOEs) related to the HEAL2/i3 grant

IV. External Quality Assurance Review (Peer Review)

IIA Standard 1312 requires an external assessment of an internal audit activity be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Office of Internal Audits is approaching completing its fourth year of operations. *Standards* allows for the completion of a self-assessment that includes a comprehensive and fully documented assessment process completed by the CAE with independent external validation. The FY 2020 audit plan includes an engagement to complete a self-assessment, summarize the results, and present the information to the Board. The results of self-assessment to be completed in FY 2020 will subsequently be validated by a qualified, independent external assessor in FY 2021.

V. 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
19-01	10/4/2018	Time Keeping System Compliance	12 out of 16 (75%) instances when a hard copy timecard was required to be completed, we found that the supervisor's failed to complete and maintain a signed hard copy timecard.	The Business Office will continue to offer TimeClock Plus trainings to all employees and supervisors of the College (the payroll and human resources team conducted 79 trainings college-wide through 2017 and 2018) and emphasized the requirement to retain a hard copy of employee timecards.	Fully Implemented
19-01	10/4/2018	Time Keeping System Compliance	Employees working in payroll held system access that was incompatible with their job responsibilities - Lack of separation of duties.	The Business Office and HR are in the process of conducting a comprehensive review of all employees' system access related to Finance and HR payroll forms.	Fully Implemented
19-02	10/23/2018	Fleet Fuel Card	No reported exceptions	No reported exceptions	N/A

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
19-03	1/29/2019	AP Commercial Card Use	No reported exceptions	No reported exceptions	N/A
19-04	6/6/2019	Custodial Services Work Orders	Management should est. record retention requirements for support documentation and ensure that all responsible employees are made aware of those requirements	Documentation will be uploaded to the dept. share drive. Related support documentation will be retained for a minimum for 3 years.	Fully Implemented

VI. Internal Audit Plan for Fiscal Year 2020

In accordance with the Institute of Internal Auditor's (IIA) *Standard* 2010, a formal audit plan is required for fiscal year (FY) 2020. 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 23, 2019 South Texas College's Board of Trustees approved the following projects for FY 2020.

FY 2020 (Scheduled)

1. Fraud Survey
2. Financial Aid – Third Party Programs
3. Banner Computer System Security and Access
4. Clery Act, Title IX, and Violence Against Women Act
5. Travel
6. Memorandum of Understanding (MOUs) for Early College High Schools and Dual Credit
7. Blueprint Expectations for Early College High Schools
8. Science Lab Safety and Storage Compliance
9. Human Resources Processes – Faculty Credentials
10. Contractor Adherence to Prevailing Wage Rate Determination
11. Faculty Overloads & Stipends
12. Office of Internal Audit – Quality Assurance and Improvement Program – Internal Assessment

Office of Internal Audits
Fiscal Year 2020 Audit Plan

FY 2020 Audit Plan - Engagements		
Risk Based Audits	Hours	Percent
Financial Aid - Third Party Programs	25	1%
Banner Computer System Security and Access	50	2%
Clery Act, Title IX, and Violence Against Women Act	60	2%
Travel	200	8%
MOUs for Early College High Schools and Dual Credit	200	8%
Blueprint Expectations for Early College High Schools	200	8%
Science Lab Safety and Storage Compliance	150	6%
Human Resources Processes - Faculty Credentials	200	8%
Contractor Adherence to Prevailing Wage Rate Determination	200	8%
Faculty Overloads & Stipends	200	8%
Office of Internal Audit - QAIP - Internal Assessment	200	8%
Subtotal	1685	70%
Other Audit Responsibilities and Special Projects	Hours	Percent
Fraud Survey	50	2%
Administration (e.g. set up activity, IA Protocols, Process swimlane, etc)	100	4%
Annual Financial Report [CAFR]	50	2%
Misc. data analytics / fraud detection procedures	25	1%
Professional Development & Training (40 hrs.CPE)	100	4%
Annual Risk Assessment & Risk Based Audit Plan Development	150	6%
Annual Report [Texas Govt. Code Sec. 2102.015]	50	2%
Follow-up on reported findings	100	4%
Unassigned/Unplanned/Mgmt. Special Requests	100	4%
Subtotal	725	30%
Total	2410	100%

VII. External Audit Services – Fiscal Year 2019

All external audit services that were procured or were ongoing in fiscal year 2019 by South Texas College are listed below.

- Carr, Riggs & Ingram - Annual Financial Statement Audit;
- Veteran's Affairs – Education Compliance Survey

VIII. 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.