



**SOUTH TEXAS  
COLLEGE**

# Internal Audit Annual Report Fiscal Year 2022

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## **I. Compliance with TGC, Sec 2102.015**

Texas Government Code Section 2102.015 was added by House Bill 16 (83<sup>rd</sup>. 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 audit plan from the previous fiscal year;
- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report; and
- 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 August 23, 2022 scheduled meeting. This report includes all the elements required by Texas Government Code Section 2102.015.

## **II. Internal Audit Plan for Fiscal Year 2022**

The Board of Trustees approved the internal audit plan for FY 2022 on August 24, 2021. The audit plan was prepared using risk assessment techniques as required by the Institute of Internal Auditor (IIA) *Standards*.

Audits that were not completed in FY 2022 were carried forward and included in the FY 2023 audit plan.

### **FY 2021 – 2022 (Scheduled)**

1. Fraud Survey
2. Teacher Retirement System of Texas (TRS)
3. Science Lab Safety and Storage Compliance
4. Human Resources Processes – Faculty Credentials
5. Financial Aid – Federal Awards
6. Purchasing
7. Faculty Overloads & Stipends
8. Texas Administrative Code (TAC) 202
9. Emergency Medical Technology (EMT) Program
10. IT – Business Continuity / Disaster Recovery
11. Quality Assurance and Improvement Program – External QAR

Office of Internal Audits  
Fiscal Year 2022 Audit Plan

<b>FY 2022 Audit Plan - Engagements</b>	<b>Status of Plan</b>
<b>Risk Based Audits</b>	
Teacher Retirement System of Texas (TRS)	11/2/2021
Science Lab Safety and Storage Compliance	6/9/2022
HR Processes - Faculty Credentials	8/4/2022
Financial Aid - Federal Awards	Fieldwork
Purchasing	6/22/2022
Faculty Overloads & Stipends	FY 2023
Texas Administrative Code (TAC) 202	FY 2023
Emergency Medical Technology (EMT) Program	FY 2023
Business Continuity / Disaster Recovery	FY 2023
Quality Assurance and Improvement Program - External QAR	FY 2023
<b>Consulting Engagements</b>	
None	-
<b>Follow Up</b>	
Banner Computer System Security and Access Audit	5/10/2022
MOUs for Early College High School and Dual Credit	3/8/2022
<b>Other Audit Responsibilities and Special Projects</b>	
Fraud Survey	10/6/2021
Administration (e.g. secure resources, budget development, etc.)	In Process
Annual Financial Report	-
Misc. data analytics / fraud detection procedures, fraud risk assessment	6/14/2022
Quality Assurance and Improvement Program (QAIP & QAR)	8/31/2022
Professional Development & Training (40 hrs.CPE)	8/31/2022
Annual Risk Assessment & Risk Based Audit Plan Development	6/14/2022
Annual Report [Texas Govt. Code Sec. 2102.015]	9/13/2022
Unassigned/Unplanned/Mgmt. Special Requests	N/A

### III. Consulting and Nonaudit Services

The Office of Internal Audits did not perform any consulting engagements as defined by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal auditing in FY 2022.

### IV. Quality Assurance 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 in its fifth year of operations. IIA *Standards* allows for the completion of a self-assessment that includes a comprehensive and fully documented process completed by the Internal Auditor with independent external validation. The Office of Internal Audits completed a comprehensive self-assessment, the results of which are provided below.

**GC – Generally Conforms** - The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects.

**PC – Partially Conforms** - The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives.

**DNC – Does Not Conform** - The assessor has concluded that the internal audit activity is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics.

The results of the self-assessment will be reviewed by a qualified, independent external assessor.

	GC	PC	DNC
<b>Overall Evaluation</b>	X		

<b>Attribute Standards (1000 through 1300)</b>		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessment	X		
1312	External Assessment		X	
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"	X		
1322	Disclosure of Nonconformance	X		
<b>Performance Standards (2000 through 2600)</b>		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval		X	
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		

		GC	PC	DNC
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		
<b>Code of Ethics</b>		GC	PC	DNC
	Code of Ethics	X		

**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
22-01	8/4/2022	HR Process - Faculty Credentials	Faculty began employment prior to their official transcript being turned into HR. Documentation to support that prospective employees will be granted a 7 week extension should be completed.	Policy 4152 was revised on 11/23/2021 and grants a 7-week extension to submit official transcripts to HR.	Implemented
22-01	8/4/2022	HR Process - Faculty Credentials	HR was unable to provide us with the employee's job assignment dates in 14% of the tested files.	These 8 employees are legacy employees and their assignment dates didn't transfer over during the Banner implementation back in 2005. HR has other compensating internal controls in place for maintaining legacy employee assignment dates.	Follow up - Pending
22-01	8/4/2022	HR Process - Faculty Credentials	Documentation to support that the transcripts turned in by faculty were 'official' was not maintained on file.	HR ensures all official transcripts are rec. directly from the issuing institution. A procedure was added to further validate by contacting the issuing institution.	Follow up - Pending



Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
22-03	6/9/2022	Science Lab Safety and Storage Compliance	2 statements related to how the College would meet the required criteria provided in the Texas Hazard Communication Act were not included in the Hazard Communication Plan	Mgmt. will update and manage the Hazard Communication Plan accordingly to include the criteria required by the Texas Hazard Communication Act and associated roles and responsibilities and current practices.	Follow up - Pending
22-03	6/9/2022	Science Lab Safety and Storage Compliance	A Hazard Communication Plan Acknowledgement form has not been established.	Mgmt. will be developing and implementing an acknowledgement form for employees who work in an area containing hazardous chemicals.	Follow up - Pending
22-03	6/9/2022	Science Lab Safety and Storage Compliance	A formal education and training program for employees who handle hazardous chemicals has not been developed.	In collaboration with HR, we will provide training to employees who handle chemicals college-wide. Training will be provided through TASB Vector Solutions.	Follow up - Pending

Report No.	Report Date	Project Name	Summary of Finding	Summary of Corrective Action Plan	Status of Correction Action Plan
22-03	6/9/2022	Science Lab Safety and Storage Compliance	Workplace chemical lists were not signed-off and dated by the person responsible for compiling this information as required by the Act.	Science departments are not required to maintain a chemical list if the aggregate of the chemical is less than 55 gallons. However, as a safe practice software will be used to update chemical inventory.	Follow up -Pending
22-03	6/9/2022	Science Lab Safety and Storage Compliance	An employee notice from the Dept. of State Health Services was not displayed at a location which housed radioactive material.	The notice to employees has been posted. The chair and lab coordinator will work with appropriate agencies to determine if an exception applies and will file any paperwork as needed.	Follow up -Pending
22-03	6/9/2022	Science Lab Safety and Storage Compliance	Internal Controls for documenting that chemical hoods/ventilation systems and gas values are routinely inspected have not yet been established.	Inspections of chemical hoods were suspended due to COVID-19. Beginning Fall 2022, we will resume annual preventative maintenance inspections of all chemical fume hoods and gas valves.	Follow up -Pending
22-04	6/22/2022	Purchasing	Mgmt. should review the College's proposal evaluation criteria and ensure that each of the elements for consideration provided in Texas Education Code Ch. 44.031 are included.	Purchasing will present to the Board, for consideration, the addition of the criteria regarding the vendors principle place of business for non-federal, non-construction goods and services.	Implemented

## **VI. Internal Audit Plan for Fiscal Year 2023**

In accordance with the Institute of Internal Auditor's (IIA) *Standard* 2010, a formal audit plan is required for fiscal year (FY) 2023. 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 August 23, 2022 South Texas College's Board of Trustees approved the following projects for FY 2023.

### **FY 2022 – 2023 (Scheduled)**

1. Fraud Survey
2. Financial Aid – Federal Awards
3. Faculty Overloads & Stipends
4. Business Continuity / Disaster Recovery
5. Title IX
6. HR Processes – Employee Hiring and Staffing
7. Emergency Medical Technology (EMT) Program
8. Surprise Cash Counts
9. Purchasing – Proposal Evaluation Criteria
10. Quality Assurance Review – External QAR

Office of Internal Audits  
Fiscal Year 2023 Audit Plan

<b>FY 2023 Audit Plan - Engagements</b>		
<b>Risk Based Audits</b>	<b>Hours</b>	<b>Percent</b>
Financial Aid - Federal Awards	200	7%
Faculty Overloads & Stipends	200	7%
IT - Business Continuity / Disaster Recovery	250	8%
Title IX	250	8%
HR Processes - Employee Hiring and Staffing	250	8%
Emergency Medical Technology (EMT) Program	200	7%
Quality Assurance Review - External QAR	200	7%
Surprise Cash Counts	200	7%
Purchasing - Proposal Evaluation Criteria	150	5%
<b>Subtotal</b>	<b>1900</b>	<b>63%</b>
<b>Other Audit Responsibilities and Special Projects</b>	<b>Hours</b>	<b>Percent</b>
Fraud Survey	100	3%
Administration (e.g. secure resources, align with IIA, QAIP, etc.)	150	5%
Annual Financial Report [CAFR]	25	1%
Data analytics / fraud detection procedures	150	5%
Professional Development & Training (40 hrs.CPE)	75	2%
Annual Risk Assessment & Risk Based Audit Plan Development	225	7%
Annual Report [Texas Govt. Code Sec. 2102.015]	100	3%
Follow-up on reported findings	250	8%
Unassigned/Unplanned/Mgmt. Special Requests	50	2%
<b>Subtotal</b>	<b>1125</b>	<b>37%</b>

## **VII. External Audit Services – Fiscal Year 2022**

All external audit services that were procured or were ongoing in fiscal year 2022 by South Texas College are listed below.

- Carr, Riggs & Ingram - Annual Financial Statement Audit;
- State Auditor Office – Compliance with Public Funds Investment Act

## **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 84<sup>th</sup> Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- A confidential fraud hotline is available for employees to report suspected fraud.
- 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.