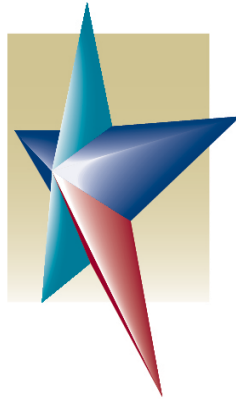


**Tarrant
County
College
District**



**Fiscal Year 2014
Internal Audit Annual Report**

Prepared by
Tarrant County College District Internal Audit Department

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I. Compliance with House Bill 16 (Texas Government Code, Section 2102.015): Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

House Bill 16 (83rd Legislature, Regular Session) was signed by Governor Perry on June 14, 2013, and became effective immediately. House Bill 16 amended Chapter 2102, Texas Government Code, by adding Section 2102.015, which requires state agencies and higher education institutions, as defined in the bill, to post certain information on their Internet Web sites. Tarrant County College District (TCCD) Internal Audit Department intends to ensure compliance with House Bill 16 through the following procedures:

- Posting its Annual Audit Plan to the TCCD webpage within 30 days after formal approval by the Board of Trustees.
- Posting its Internal Audit Annual Report to the TCCD webpage within 30 days after formal approval by the Board of Trustees.
- Posting updates to TCCD webpage that includes the following information:
 - 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 agency to address concerns, if any, that are raised by the audit plan or annual report.

II. Planned Work Related to the Proportionality of Higher Education Benefits

We plan to include the proportionality of Higher Education Benefits in the Fiscal Year 2016 audit plan.

III. Internal Audit Plan for Fiscal Year 2014

| Audit Plan for Fiscal Year 2014 | | |
|--|----------------|--|
| Audit | Report Number | Status/Report Date |
| Board of Trustees Expenses | FY14BRD.AUD.03 | Completed/October 9, 2014 |
| Texas Administration Code 202 – Information Security Standards | FY15TAC.AUD.01 | Final Report issued September 23, 2015 |
| Purchase Cards (District Credit Cards) | FY14PCD.AUD.01 | Completed/April 14, 2015 |
| Federal Student Grants | N/A | Cancelled as a result of external auditor coverage |
| Employee Expense Reimbursements | FY14EMP.AUD.01 | Completed/December 5, 2014 |
| Accounts Receivable | N/A | Deferred to 2015 |
| Student Club Accounts | FY15SCA.AUD.01 | Final Report issued April 14, 2015 |
| Contracts – Compliance with Billing/Pricing | FY14CON.AUD.01 | Final Report issued April 14, 2015 |

| Other Services and Duties |
|--|
| Implementation and On-going Administration of College Hotline |
| Investigations (as needed) |
| Management or Committee Requested Audits or Special Projects |
| Internal Audit Department Administration and Training |
| Risk Assessment and Annual Audit Plan for Year Ended August 31, 2015 |

Summary of Weakness, Deficiencies, Wrongdoings, or other Concerns raised by the Audit Plan or Annual Report

| Purchasing Cards (District Credit Cards) | | |
|--|---|--------------------------|
| Finding/Internal Control Weakness | Recommendation/Management Action Plan | Implementation Status |
| <p><u>Documentation for Approval of Increased Purchasing Card Limits</u> We determined that purchasing card purchases were not in accordance with TCCD Procurement Policy and Procedures Manual (dated October 2012) and TCCD Purchasing Card Handbook (dated December 2011). Specifically, we identified 34 transactions (totaling \$16,783) made during our audit period that were in excess of TCCD purchasing card limits and did not have documentation from the Purchasing Director or from the Purchasing Manager that documented</p> | <p>We recommend that the Vice Chancellor for Finance—</p> <p>Develop and implement a written policy that includes the duties, roles, and responsibilities for the Purchasing Director or for the Purchasing Manager for increasing purchasing card spending limits for each purchasing cardholder. The policy should include a procedure to obtain and retain documented approvals by the Purchasing Director or by the Purchasing Manager for increasing the purchasing card spending limits for</p> | <p>Fully Implemented</p> |

| | | |
|--|---|-------------------|
| approval of the spending limit increase for these transactions. | each purchasing cardholder. | |
| <p><u>Expense Reports</u> We determined the purchasing department does not have a process in place to verify whether the expense reports were signed by the appropriate purchasing cardholder's supervisor. TCCD Procurement Policy and Procedures Manual (dated October 2012) and TCCD Purchasing Card Handbook (dated December 2011) states "Each report must be signed by the P-Cardholder and the P-Cardholder's supervisor as evidence of review/approval."</p> | Since July, 2014, we made changes to the expense report form to require both a signature and printed name for both cardholder and supervisor. | Fully Implemented |
| <p><u>Segregation of Duties</u> We determined there is a lack of segregation of duties as it relates to setting up the purchasing card holder in the J.P. Morgan Chase website and reviewing the supporting purchase receipts and general ledger expense accounts prior to submitting the summary spreadsheet to the accounting department.</p> | The Purchasing Manager or Director of Procurement reviews the monthly P-card vouchers prior to submission to accounts payable. | Fully Implemented |

| Student Club Accounts | | |
|--|--|------------------------------|
| Finding/Internal Control Weakness | Recommendation/Management Action Plan | Implementation Status |
| <p><u>No Travel Notification/Incomplete Field Trip Forms</u> We identified two travel trips (South Campus Phi Theta Kappa and Trinity River Campus Texas Nursing Students Association) with no travel notification and waiver and indemnity forms completed. Also, we identified another travel trip (Trinity River Campus Texas Nursing Students Association) where the field trip form was incomplete.</p> | <p>We recommend that the Vice Chancellor for Academic Affairs and Student Success—</p> <p>Develop and implement a written policy to ensure travel notification and waiver and indemnity forms are kept for a period of 3 years after a sponsor completes a trip.</p> | Fully Implemented |

| | | |
|---|---|--------------------------|
| <p><u>Noncompliance Revenue Transactions</u> We identified \$15,620 in revenue transactions that were not in compliance with TCCD policies and procedures. The Trinity River Campus Texas Nursing Students Association sold nurse pack kits for a total of 14 days during November 20, 2013 through January 15, 2014. We identified nurse pack kits sales that were completed on January 17, 2014, and during July 2014 through August 2014 for a total of 33 days.</p> <p>TCCD policy and procedures FI (Local) states “As used in this policy, “student solicitation” shall mean the sale or offer for sale of any property or service, whether for immediate or future delivery, and the receipt of or request for any gift or contribution by a student or registered student organization. No organization shall solicit under this policy for more than a total of 14 days, whether continuous or intermittent, during each fiscal year.”</p> | <p>We recommend that the Vice Chancellor for Academic Affairs and Student Success instruct the Trinity River Campus President to—</p> <ul style="list-style-type: none"> • Develop and implement a process to sell the nurse pack kits within the 14 days requirement. • Provide annual training to the student club organizations in regard to policy and procedures FI (Local). | <p>Fully Implemented</p> |
| <p><u>Sales Tax</u> We identified \$11,170 in revenue transactions that were not in compliance with TCCD policies and procedures. The Trinity River Campus Texas Nursing Students Association sold nurse pack kits (\$110 per kit) totaling \$5,610 during January 7, 2014 through July 28, 2014. We identified additional nurse pack kits sales totaling \$10,560 that were completed during July 29, 2014 through August 26, 2014. The nurse pack kits were sold for 5 days in January, 15 days in July, and 17 days in August.</p> <p>We determined \$11,170 from the \$16,170 in nurse pack kits sales</p> | <p>We recommend that the Vice Chancellor for Academic Affairs and Student Success—</p> <p>Develop and implement a process to ensure compliance with the sales tax requirement.</p> | <p>Fully Implemented</p> |

| | | |
|---|--|--------------------------|
| <p>(\$10,560 + \$5,610) were not exempt from sales tax. The Trinity River Campus Texas Nursing Students Association did not collect the sales tax on the \$11,170 in revenue transactions.</p> <p>TCCD policy and procedures FKC (Legal) states “In each calendar year, the first \$5,000 of a qualified student organization’s total receipts from sales of taxable items not otherwise exempt is exempt from the taxes imposed by Tax Code Chapter 151, Subchapter C.</p> <p>Tax Code 151.321(a)–(b)”</p> | | |
| <p><u>Tarrant County College District Solicitation Policies</u></p> <p>We determined TCCD policy and procedures FI (Local) does not include the selling of merchandise. Registered students are eligible to sell merchandise based upon TCCD policies and procedures FLAA (Local) and FLA (Local).</p> | <p>We recommend TCCD policy and procedures FI (Local) is revised to include the selling of merchandise.</p> | <p>Fully Implemented</p> |
| <p><u>Student/Participant Attendance Form</u></p> <p>The Student/Participant Attendance Form is used to identify students that will be participating in student travel. The Student/Participant Attendance Form does not include a student identification number. The risk of not including a student identification number is that student development services office cannot determine if a student is eligible to participate in the student travel.</p> | <p>We recommend the student identification number be included on a separate form with the Student/Participant Attendance Form.</p> | <p>Fully Implemented</p> |

| | | |
|---|---|--------------------------|
| <p>the hours worked before being invoiced by Tradesmen International Inc.</p> | <p>We recommend the facilities department review the time cards each pay period to verify a TCCD supervisor approved the time cards prior to being invoiced by Tradesmen International Inc.</p> | <p>Fully Implemented</p> |
| <p>Furthermore, we determined there is not a master contract in place between TCCD and Tradesmen International Inc. that brings all the terms and conditions into a single standardized document.</p> | <p>We recommend the facilities department develop and implement a master contract between TCCD and Tradesmen International Inc.</p> | <p>Fully Implemented</p> |

IV. Consulting Services and Nonaudit Services Completed

| Nonaudit Service Objectives | Nonaudit Service Type | Nonaudit Service Description |
|--|--|---|
| <p>Participation on the MarketPlace (Procurement System) Implementation Core Committee</p> | <p>Participation, guidance, research, and advice</p> | <p>Provided independent advice and guidance to help ensure the risk of control gaps and fraudulent activities were minimized</p> |
| <p>Facilitation TCCD ethics/compliance hotline</p> | <p>Participation, guidance, research, and advice</p> | <p>Provided independent research to determine whether fraud, waste, or abuse has occurred and provided guidance and/or advice to minimize or resolve the risk of fraud, waste, or abuse and help ensured institutional compliance issues were being addressed</p> |

V. External Quality Assurance Review (Peer Review)

We have not had an external quality assurance review. We plan to have an external quality assurance review at the completion of Fiscal Year 2016.

VI. Internal Audit Plan for Fiscal Year 2015

Overview

The annual audit plan is a guide developed for the utilization of the internal audit resources during the fiscal year to address the risks of TCCD. Audits and reviews of selected areas included in the annual audit plan are areas that represent risk to TCCD based on the district-wide annual risk assessment performed by Internal Audit as part of the annual audit planning process.

The audit plan is a document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources, and changes in TCCD's organization or operations may result in changes to the audit plan. Any significant changes to the audit plan would require approval from TCCD Audit and Finance Committee.

Development of the Audit Plan

The Fiscal Year 2015 audit plan covers the period of September 1, 2014, through August 31, 2015. The Internal Audit Department allocates its resources in a manner that is consistent with the mission and goals of TCCD. To support TCCD's mission, audit coverage is considered across the district. The audit plan is designed to provide coverage of key business processes during the given Fiscal Year.

Operational risk, reputational risk, compliance risk, strategic risk, and financial risk were assessed on each business area at TCCD.

Internal Audit is required by the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards to conduct certain activities on an annual and/or periodic basis, such as an internal quality control assessment and an annual audit report.¹ Required activities are included in the audit plan below under Other Services and Duties:

| Audit Plan for Fiscal Year 2015 | |
|---|---------------------------------|
| Audit | Estimated Budgeted Hours |
| *Texas Administration Code 202 – Information Security Standards | 1,000 hours |
| TCCD Marketplace (Procurement Process) | 600 hours |
| Student Club Accounts | 600 hours |
| Accounts Receivable | 500 hours |
| Hotline Complaints Assessment | 200 hours |
| **Board of Trustees Expenses | 200 hours |

* Required audit as set forth by the State of Texas

** Required audit as set forth in the TCCD Internal Audit charter

¹ The internal quality control assessment assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The purpose of the internal audit annual report is to provide information on the assurance services, consulting services, and other activities of the internal audit function.

| Other Services and Duties | |
|--|---------------------------------|
| | Estimated Budgeted Hours |
| Investigations (as needed) | 300 hours |
| Administration of TCCD Hotline | 240 hours |
| Internal Audit Department Annual Self-Assessment | 80 hours |
| Development of an Annual Risk Assessment and Audit Plan (for Fiscal Year 2016) | 80 hours |
| Issuance of the Annual Internal Audit Report | 40 hours |
| Posting of the Annual Audit Plan on TCCD Internet | 8 hours |

VII. External Audit Services Procured in Fiscal Year 2014

TCCD internal audit department did not contract with any external audit company during Fiscal Year 2014. TCCD has a contract with Weaver to conduct an audit on TCCD Comprehensive Annual Financial Report.

VIII. Reporting Suspected Fraud and Abuse

TCCD has taken the following actions to ensure compliance with the requirements of Section 7.09, Fraud Reporting, General Appropriations Act (83rd Legislature, Conference Committee Report), Article IX:

- TCCD internet homepage website includes a fraud reporting link that provides information on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor’s Office.
- TCCD internal audit policies and procedures has steps to ensure the internal audit department reports suspected fraud involving state funds to the State Auditor’s Office.

In addition, TCCD has a link for fraud, waste, or abuse reporting under Administration and General Counsel Intranet site that can be accessed by all employees, staff, and faculty at <https://secure.ethicspoint.com/domain/media/en/gui/35919/index.html>. TCCD also has a policy on reporting fraud found at CDE (LOCAL) on the College’s website www.tccd.edu.

Furthermore, to comply with Texas Government Code, Section 321.002 (Coordination of Investigations) TCCD internal audit department policies and procedures states the internal auditor will work in conjunction with the administrative head to contact the State Auditor’s Office.