



Annual Internal Audit Report

Summary of FY21 Internal Audit Work &
Proposed FY22 Audit Plan

Prepared by: Linda Torres, Director of Internal Audit

Report Date: August 31, 2021



INTERNAL AUDIT DEPARTMENT

To: Board Finance Committee

cc: Dr. Brenda Hellyer, Chancellor
Teri Zamora, Vice Chancellor of Fiscal Affairs

From: Linda Torres, Director of Internal Audit

Date: August 31, 2021

Subject: Annual Internal Audit Report – Summary of FY21 Internal Audit work & Proposed FY22 Audit Plan

We are pleased to present the San Jacinto Community College District's (SJCCD) *Annual Internal Audit Report* for 2020/21. This report will provide information on audits and projects performed during the past audit year. We are a small department consisting of three auditors; however, we strive to add value to the College through each of our audits and projects.

The various audits and projects performed during the 2020/21 audit year (September 1, 2020 to August 31, 2021) resulted in specific recommendations made by the Internal Audit Department. These recommendations were made to enhance accountability, improve efficiency, reduce the opportunities for fraud, protect the college's assets and improve service delivery to college stakeholders.

The proposed audit plan for the 2021/22 audit year (September 1, 2021 to August 31, 2022) was based on a risk assessment update performed during the summer of 2021, as well as management's requests. The Internal Audit Department updated the annual risk assessment to identify the major areas within SJCCD that require audit attention. Audit projects are scheduled based on the results of the college-wide risk assessment and the available internal audit resources. By carrying out this plan for the upcoming year, we hope to continue our commitment to serve the College, the Chancellor and the Board of Trustees.

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INTRODUCTION

Based on our audits, examinations and reviews completed over the past audit year, we have found that in many cases, management's internal control objectives are being met. We have, however, noted areas in which internal controls could be strengthened. This document summarizes the work performed by the internal audit department and the reports issued to management.

Attachment A provides a listing of Audit Department personnel as of August 31, 2021.

SUMMARY OF AUDIT ACTIVITY

As of the end of the FY21 audit year, six audits/reviews, five projects, one follow-up audit and six cash counts were completed. Additionally, nine audits/reviews were in-progress at the end of the year. Internal Audit was involved in several unscheduled projects that arose during the year and served on six committees, councils and task forces. Finally, the Internal Audit Department updated the ethics training, completed the annual risk assessment project and managed the collection of conflict of interest disclosure statements.

Attachments B – G details all the audit work performed during FY21 and *Attachment H* details the time reported for all Internal Audit work during the past year. To date, 88% of available time has been expended directly on internal audits, reviews and projects. The remainder of our time has been expended on administrative duties, research and training.

Attachment I summarizes the risk assessment process, while *Attachment J* details the upcoming year (2021/22) audit plan which is awaiting Board Finance Committee approval.

PERSONNEL ROSTER
ATTACHMENT “A”

Director of Internal Audit

Linda Torres is the Director of Internal Audit and has worked for the College since June 2008. Linda is a Certified Public Accountant, Certified Internal Auditor and Certified Fraud Examiner. She graduated with a BBA in Accountancy from the University of Houston and also earned an Associate degree from San Jacinto College, Central campus. She has extensive internal as well as external audit experience over the past 24 years. In addition to the College, Linda has worked in organizations such as the Fort Bend Independent School District, American General Corporation and Arthur Andersen, LLP.

Manager of Internal Audit

Bret Boudreaux has worked for the College since January 2009 and was promoted to the Manager of Internal Audit in November 2015. Bret is a Certified Internal Auditor and possesses a Certification in Risk Management Assurance. Bret graduated from Louisiana State University with a B.S. in Finance in May 2005 and obtained his MBA from Texas A&M University–Commerce in May 2010. Bret has attained over 16 years of experience in accounting and auditing, has worked in organizations such as Ernst & Young, LLP and BG Group, PLC.

Internal Auditor

Travis Leopulos has worked for the College since February 2016. Travis graduated from Stephen F. Austin State University with a BBA and also earned an Associate degree from San Jacinto College, Central campus. He has over 6 years of internal auditing experience with Galveston County and has over 10 years of management experience with Academy Sports and Outdoors.

**AUDITS/REVIEWS/PROJECTS LIST
ATTACHMENT “B”**

Audits/Reviews/Projects	Details	Status	Disposition
HEERF I (CARES Act) – Student Aid Review	Review compliance with CARES Act funding requirements	Complete	Email Memo - October 13, 2020
COVID-19 Prescreening Analysis – First Project	Review compliance with the college’s COVID-19 prescreening requirements	Complete	Email Memo – October 14, 2020
COVID-19 Prescreening Analysis – Second Project	Review compliance with the college’s COVID-19 prescreening requirements	Complete	Email Memo – December 8, 2020
Legislative Review (86 th Session) Project	Review compliance with select Senate and House Bills from the 86 th Legislative Session	Complete	Email Memo – October 22, 2020 & January 19, 2021
TRS 19.5 Hr Employee Review	Applied data analytics to determine excessive utilization of PT employees (defined as exceeding 19.5 hrs/wk)	Complete	Email Memo – January 26, 2021
Pcard Consulting Project	Utilize data analytics to review Pcard limits and spending.	Complete	Email Memo – January 28, 2021
TMA Consulting Project	Utilize data analytics to determine whether or not maintenance tickets are closed out timely.	Complete	Email Memo– February 4, 2021
ITS Equipment Loaner Process Review	Review the process in place for loaning IT equipment to students	Complete	Email Memo – April 28, 2021
Central Campus Café Safe Procedures Review	Review Central campus safe procedures after the discovery that \$858.20 in start-up cash was missing from the safe.	Complete	Email Memo – May 19, 2021

AUDITS/REVIEWS/PROJECTS LIST (CONT.)
ATTACHMENT “B”

Audits/Reviews/Projects	Details	Status	Disposition
Tuition Waivers and Exemptions Audit	Review processes in place to ensure operational efficiency and compliance with government regulations.	Complete	Report – June 21, 2021
HEERF II – Student Aid Review	Review compliance with funding requirements	Complete	Email Memo – August 5, 2021
Required Training Compliance Audit - Students	Ensure students have completed required trainings	In Progress	N/A
Required Training Compliance Audit - Employees	Ensure employees have completed required trainings	In Progress	N/A
Grants Subrecipient – DOL - Alamo Colleges District	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – DOL - Dallas College	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – DOL - Austin Community College District	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – DOL - IBM	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – DOL - Cerner	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – DOL – Lockheed Martin	Subrecipient monitoring	In Progress	N/A
Grants Subrecipient – NSF – Houston Community College	Subrecipient monitoring	In Progress	N/A
<p>➤ <u>Complete</u>: Complete and results have been issued to SJCD senior management.</p> <p>➤ <u>In Progress</u>: In progress at the end of the year.</p> <p>DOL – Department of Labor NSF – National Science Foundation</p>			

**CASH COUNTS
ATTACHMENT “C”**

Surprise cash counts are performed throughout the year at college locations that collect cash during normal operations. The following are the cash counts completed during FY21.

Cash Counts		
Campus	Location	Month
Central	Business Office	October 2020, April 2021
North	Business Office	October 2020, June 2021
South	Business Office	November 2020, April 2021

Central Campus Café Safe Procedures Review

During the April 2021 cash count at a campus business office Internal Audit noted that all three cafes still had petty cash checked out, despite the fact that they have not been operational during FY21 due to COVID-19 restrictions. Internal Audit recommended that all cafés return their start-up cash to the campus business offices until they began operations. At that time, it was discovered that the Central Café was missing \$858.20 of the \$1,000 start-up cash. The campus police were brought in to investigate the theft but were unable to determine who took the cash. Internal Audit worked with café management and auxiliary services to strengthen their cash safeguard procedures. Additionally, going forward all cafés will immediately return their start-up funds to the business office for all extended breaks in operations to limit risk associated with unattended cash held at the cafes.

**FOLLOW-UP AUDITS
ATTACHMENT “D”**

Follow-up audits verify the completion of the corrective action plans (CAPs) provided by management during the initial audit. The number of follow-ups performed for each initial audit depends on whether or not management has indicated they have completed the CAPs to address the risks noted in the original audit. Audits that were performed some time ago without a recent follow-up are due to the fact that management has indicated that the CAPs are not complete and they have requested additional time to address the issues noted. As of the end of FY21, a total of 19 corrective action plans require a follow-up by Internal Audit; some of these CAPs may be complete at this time but they are awaiting a follow-up for confirmation to be able to close out the audit.

Note: As of the end of FY18, there were 69 open CAPs; this indicates that college management has made significant strides to address prior audit risks identified.

Follow-ups conducted during FY21.

Audit	Original Audit Date	Prior Follow-up Dates	Original CAPs	Remaining CAPs	Disposition
Financial Aid <i>Issued June 2021</i>	July 2018	July 2020	5	0	All CAPs complete, no further follow-ups required

Audits with Outstanding CAPs at year-end (follow-up not performed in FY21)

Audit	Original Audit Date	Prior Follow-up Dates	Original CAPs	Remaining CAPs	Disposition
Accounts Payable	October 2016	September 2017	4	1	Follow-up in FY22
Contract Compliance	May 2018	none	3	3	Audit in FY22
Student Organizations	January 2019	July 2020	5	2	Follow-up in FY22
Accounts Receivable	January 2020	none	6	6	Follow-up in FY22
ITS Assets	August 2020	none	4	4	Follow-up in FY22
Tuition Waivers and Exemptions	June 2021	none	3	3	Follow-up in FY22

**CONSULTING AND OTHER ACTIVITIES
ATTACHMENT “E”**

The Director and Manager of Internal Audit were members of the six committees, councils and/or task forces during FY21. As a member of these groups, the Internal Audit Department is not performing typical assurance (i.e. audit) activities but is either providing consulting services or is a member in a leadership role. In addition, Internal Audit worked on several projects that did not result in a report, but rather allowed the Internal Audit Department to work with college employees to develop solutions and control framework from the ground up.

Activity	Purpose
Student Club Accounts Committee	Develop a one-college approach regarding student club accounts.
Campus Based Scholarship Committee	Increase the awareness of campus-based scholarship opportunities and gather data on campus based scholarships for budget development.
Strategic Leadership Communication Council	Ensure that all levels of leadership have a clear understanding and provide support for the one-college vision, the strategic plan, and annual priorities.
Staff Organization	The Internal Audit Manager is a District representative on the College’s Staff Organization. The Staff Organization involves collaborating with college employees to develop methods for improving the organization and working environment for staff members
Staff Organization Task Force	The purpose of the task force is to clarify the purpose and intent of the student organizations; update organization guidelines, create an awareness strategy, and provide organization participants development guidance.
Honoraria Committee	Honoraria awards recognize and encourage San Jacinto College full-time faculty, staff, and administrators for a specific body of work and creation of scholarly and/or original work, either as a team or as an individual. The honoraria review committee evaluates these bodies of work and assigns award amounts based on the number of achievement categories.

**ETHICS REPORTS
ATTACHMENT “F”**

San Jacinto College recognizes its obligation to employees and constituents to maintain the highest ethical standards and has established EthicsPoint to provide a way for employees to anonymously and confidentially report concerns that may involve financial misconduct, suspected wrongdoing or fraudulent behavior.

If a college employee observes behavior that they believe violates college policies and/or procedures, ideally, they should bring any concerns forward to their direct supervisor, Strategic Leadership Team (SLT) member or other member of management. However, the college recognizes that there may be circumstances when the employee is not comfortable reporting issues in this manner. It is for such circumstances that the college has partnered with EthicsPoint, to allow an employee to report concerns and remain anonymous.

During FY21 the college has received ten reports via EthicsPoint (as of August 20, 2021). None of these reports rose to the level of financial misconduct, suspected wrongdoing or fraudulent behavior; however, the appropriate SLT member reviewed each of these cases and the appropriate action has been taken to resolve each report when necessary.

**AUDIT/REVIEW OBSERVATIONS
ATTACHMENT “G”**

Due to the uncertainty surrounding COVID-19 and college operations, Internal Audit developed the FY21 audit plan with more review/consulting engagements in order to not further burden overtaxed college staff. Findings from these reviews were presented to management but corrective action plans were not required.

Audit/Review	Report/Memo Issue Date	Observation	Corrective Action Plan	Estimated Completion Date
HEERF I (CARES Act) – Student Aid Review	October 13, 2020	No issues noted	None	N/A
TRS 19.5 Hr Employee Review	January 26, 2021	<p>There are part-time employees who consistently work in excess of part-time hours (defined as 19.5 by the college), which can cause such employees to become eligible for TRS and also result in surcharges related to retired TRS annuitants working at the college.</p> <p>While there is a tool in place to provide timely notification to leaders about part-time employees working too many hours, the lack of a consistent and documented follow-up with leaders has led to employees still consistently exceeding allowable hours.</p> <p>Time period analyzed: 8/13/2018 – 9/20/2020 # of PT employees represented: 219 # of PT employees exceeded at least 20 times: 37</p>	N/A	N/A

**AUDIT OBSERVATIONS (CONT.)
ATTACHMENT “G”**

Audit	Report/Memo Issue Date	Observation	Corrective Action Plan	Estimated Completion Date
ITS Equipment Loaner Process Review	April 28, 2021	There are inconsistencies between the inventory records of the college and third-party asset processing provider, CompuCycle. During the testing of assets which have been identified by the college as returned to CompuCycle by the student, out of 136 laptops 12 were not listed in CompuCycle’s inventory record. Therefore, although the college received confirmation that students did return the assets, their disposition once they reached CompuCycle could not be ascertained.	N/A	N/A
ITS Equipment Loaner Process Review	April 28, 2021	There are a lack of documented procedures surrounding the equipment loaner returns process. Additionally, there is only one individual within ITS with intimate knowledge of the equipment loaner tracking process, which is extremely detailed and complex.	N/A	N/A
ITS Equipment Loaner Process Review	April 28, 2021	The complexity of the spreadsheet utilized by ITS resulted in data inconsistencies and difficulty ascertaining the disposition of IT assets.	N/A	N/A
Central Campus Café Safe Procedures Review	May 2021	See Attachment “C” for further discussion		

**AUDIT OBSERVATIONS (CONT.)
ATTACHMENT “G”**

Audit	Report/Memo Issue Date	Observation	Corrective Action Plan	Estimated Completion Date
Tuition Waivers and Exemptions Audit	June 2021	The maximum hour requirements for continued eligibility of an exemption is applied incorrectly for Hazlewood veteran exemptions.	Will implement a documented bi-weekly appeal review for students over 90 hours.	June 2021
Tuition Waivers and Exemptions Audit	June 2021	Records related to student waivers and exemption appeals have not been kept in accordance with record retention guidelines.	Will implement a spreadsheet to house all waiver and exemption appeal decision	Immediately
Tuition Waivers and Exemptions Audit	June 2021	There is a lack of access control for a key Banner form directly related to tuition waivers and exemptions.	Will review access for both update and view rights to TSAEXPT.	August 31, 2021
HEERF II – Student Aid Review	August 2021	No issues noted	None	N/A

**TIME REPORTED
2020-2021 AUDITS
ATTACHMENT “H”**

Description	Hours	% of Total Hours
Audit/Consulting Hours:		
Grants Subrecipient Monitoring (cont. from FY20)	237	5%
CARES Act	148	3%
HEERF	76	2%
Required Training Compliance	439	9%
Tuition Waivers and Exemptions	308	6%
ITS Equipment Loaner Process	272	5%
Financial Aid Follow-up	50	1%
Legislative Review (86th Session)	245	5%
Grants Subrecipient Monitoring	363	7%
TRS 19.5 Hr Employee Project	150	3%
COVID Consulting	96	2%
Grants Consulting	176	3%
TMA Consulting	40	1%
Pcard Consulting Project	273	5%
Cash Counts	69	1%
Pcards - Continuous Auditing	462	9%
Conflict of Interest	60	1%
Risk Assessment/Annual Audit Plan & Report	247	5%
Miscellaneous Projects & Unplanned ^A	272	5%
Management Review ^B	425	8%
Total Audit/Consulting 2020-2021	4,408	88%
Administrative:		
Administrative Tasks	281	6%
Training/CPE/Meetings/Research	343	7%
Total Administrative 2020-2021	624	12%
Total Hours	5,032	100%

^A – **Misc. Projects & Unplanned** includes participation on committees, financial reviews for RFPs, investigations, ethics training updates and projects that did not reach the level of an audit/review (i.e. veteran’s affairs student acct balances).

^B – **Management Review** includes review of internal audit staff workpapers and audit reports.

RISK ASSESSMENT PROCESS ATTACHMENT “I”

The Internal Audit Department performed the annual risk assessment and developed the FY22 proposed audit plan as required by the San Jacinto Community College District’s (SJCCD) Internal Audit Charter and the Institute of Internal Auditors’ (IIA) *Standards for the Professional Practice of Internal Auditing*. The FY22 audit plan focuses on the high-risk areas that can be covered with the existing/proposed Internal Audit resources.

Audits that cannot be completed with current audit capacity result in an assumption of risk by the College.

Risk Assessment Process

The Internal Audit Department employs a risk-based methodology to assess the level of potential exposure that each of the functions and departments present to the organization from financial, operational and technological perspectives. A risk assessment is an effective tool to aid the Internal Audit Department in identifying and prioritizing high-risk areas within the College.

The first step in the risk assessment process is to identify all auditable units within the college and categorizing the units into logical functional areas. Internal Audit has identified over 200 auditable areas within SJCCD. Each auditable unit’s appropriate “owner” or responsible individual is identified, and input is solicited from key management personnel via a risk assessment questionnaire. Based on experience with the auditable unit and the questionnaire filled out by the owner, we are able to gain a better understanding of college operations. Internal Audit then identifies significant risk variables (e.g., financial impact, prior audit activities, personnel and management conditions, etc.) in order to assess the level of risk for each auditable unit.

Based on the individual risk rating for each area, required follow-up reviews, recurring reviews and consulting activities the Internal Audit Department is proposing the audit plan on *Attachment I* for submission and approval by the Board Finance Committee. Once approved, audits will be scheduled and performed by the Internal Audit Department. The annual audit plan is an active document that may need to be adjusted during the year. Audits may not take as much time as planned and/or situations may arise in an area which changes the need for an audit, for this reason alternate audits have been included in this audit plan.

**PROPOSED 2021-22 AUDIT PLAN
ATTACHMENT “J”**

Audit/ Project Description
<i>Finalize Audits In Progress at the end of FY21</i>
Fiscal Affairs: Grants Subrecipient – DOL - Alamo Colleges District
Fiscal Affairs: Grants Subrecipient – DOL - Dallas College
Fiscal Affairs: Grants Subrecipient – DOL - Austin Community College District
Fiscal Affairs: Grants Subrecipient – DOL - IBM
Fiscal Affairs: Grants Subrecipient – DOL - Cerner
Fiscal Affairs: Grants Subrecipient – DOL - Lockheed Martin
Fiscal Affairs: Grants Subrecipient – NSF - Houston Community College
<i>Audits Based on Risk Assessment</i>
College-wide: Contract Administration (limited review)
Deputy Chancellor: Veterans Affairs (credit balances)
Deputy Chancellor: Dual Credit
Deputy Chancellor: HVAC (North and South)
Deputy Chancellor: Automotive Tech (Central)
Deputy Chancellor/Fiscal Affairs: Scholarship Accounting
Deputy Chancellor: SJC Promise
Deputy Chancellor/Fiscal Affairs/Strategic Initiatives: Contract Training Invoicing
Fiscal Affairs: Payroll
Fiscal Affairs: Barnes and Noble Billings
Fiscal Affairs: Peard Continuous Auditing
Fiscal Affairs: Cash Counts
Human Resources: Benefits Processing
<i>Consulting and Other Activities</i>
College-wide: IA Outreach
College-wide: Electronic Signature Implementation
College-wide: Conflict of Interest
College-wide: Risk Assessment/Annual Audit Plan & Report
College-wide: Internal Audit Committee Involvement
College-wide: 87th Legislative Session Implementation
Deputy Chancellor: HEERF
<i>Follow-up Audits</i>
Deputy Chancellor: Student Organizations
Deputy Chancellor: Tuition Waivers and Exemptions
Fiscal Affairs: Accounts Payable
Fiscal Affairs: Accounts Receivable
ITS: ITS Assets

Note: Due to the uncertainty surrounding the continued threat of COVID-19, this plan includes several alternate audits/projects and not all will be started and/or completed in FY22. The projects that can be completed will be affected by any future work from home orders or other changes the college might need to implement during the year.