HCC | **HOUSTON COMMUNITY COLLEGE**

**Internal Audit Annual Report
Fiscal Year 2016
in Accordance with the Texas Internal Auditing Act**

**Prepared by
Internal Audit Department
Terry Corrigan, Director Internal Audit**

Table of Contents

I.   Internal Audit Plan for Fiscal Year 2016

The Houston Community College (HCC) Internal Audit Department's ability to function was significantly diminished due to the Department Director's illness and the loss of the entire professional audit staff during fiscal years 2015 and 2016. The FY 2016 Audit Plan was a roll forward of outstanding audit projects from the FY 2015 Audit Plan.

Internal Audit Department 2016 Plan Status Report				
Name	**Status**	**Report Number**	**Report Date**	**Scope**
Business Continuity Plan	Completed	14-14	4/02/2015	Adequacy of processes to create, test, and maintain business continuity plans.
Financial Management	Completed	15-11	4/29/2016	Concerning the coding of expense transactions, and timeliness of payment per Texas prompt pay act.
Human Resources Operations	In Progress			Review of reporting, operational efficiency, and compliance with applicable regulations.
Procurement Operations	Roll-over to FY 2017 Plan			Review of operational efficiency including timelines of procurement renewals.
Student Financial Aid Operations	Roll-over to FY 2017 Plan			Review of operational efficiency and compliance with applicable regulations including security and privacy of student records.
Web Presence	Roll-over to FY 2017 Plan			Concerning the process for approval and posting of Student Catalog and of internal policies and procedures.
Veterans Affairs Dept	Completed	15-17	12/1/2015	Concerning adequacy and effectiveness of departmental controls.

II.   Quality Assurance Review

No internal or external quality assurance review was performed on the Internal Audit Department in FY 2016. An internal quality assurance review is included in the FY 2017 Internal Audit Plan. An external quality assurance review is planned for FY 2018.

As stated in the Internal Audit Plan for FY 2016, the HCC Internal Audit Department's ability to function was significantly diminished due to the Department Director's illness and the loss of the entire professional audit staff during fiscal years 2015 and 2016. A significant amount of time in the FY 2017 Internal Audit Plan will be devoted to the following three rebuilding activities:

1) Recruiting quality staff with diversified skill sets;
2) Implementing an automated internal audit management system; and
3) Collaborating with Risk Management to produce an Enterprise Risk Management Assessment.

III.   Summary of Audit Findings and Corrective Action Plans

Report Name & Res. Party	Recommendation	Action Plan	Current Status	Action Taken	Completion Date
15-11 Financial Management K. Bender	1. Proper account usage should be continuously emphasized with the use of "the General Expenditure Sub-Account Listing" as tool to assist in determining the sub-account that best fits the items purchased.	A procedure to address review of account coding on purchase order transactions will be developed and submitted for review. Periodic training for requisition creators will be held to emphasize correct coding of expenditures.	**Complete**	Accounts Payable personnel are currently being trained to recognize inaccuracies in account coding, with an emphasis on "Capital" expenditures. As part of the procedures for the department, the staff will be responsible for providing a secondary review of the sub-account to ensure expenses are coded correctly. The Accounts Payable department will provide training classes to the field semi-annually. These classes will familiarize users with the General Expenditure Sub-account Listing and outline how to properly identify the correct expense account when making purchases or submitting direct pay requisitions. One of the training sessions will be incorporated into the College Leadership Program's (CLP) agenda.	07/31/2016

Report Name & Res. Party	Recommendation	Action Plan	Current Status	Action Taken	Completion Date
	2. HCC's "Chart for Mileage Reimbursement", MapQuest, Google Maps, etc. sites should be used to accurately calculate trip mileage.	Notifications regarding the use of appropriate mileage calculations will be made to travelers.	**Complete**	To ensure the field is aware of the travel policies and procedures, the Treasury office will send out an E-News notification semi-annually to ensure that travelers are aware and keep abreast of the travel policy and procedures. The notification will provide a link to the travel policy and procedures for those employees traveling on company business.	**07/31/2016**
15-17 Veteran Affairs C. Archie	3. The VA compliance officer should periodically spot check to ensure the department is maintaining veteran student records in compliance with the U.S. Department of Veterans Affairs and the Texas Veterans Commission.	DOVA received notification for approval to post the HCC Veteran Affairs Compliance Officer position. This position provides supervision to all Certifying Officials and the documents processed in accessing VA Educational Benefits. In addition, DOVA management will explore available technology such as PeopleSoft's "Checklist" and PeopleSoft's VA module for tracking, collecting, and reporting.	**Complete**	The Veteran Affairs Compliance Officer has been hired.	**07/15/2016**

Report Name & Res. Party	Recommendation	Action Plan	Current Status	Action Taken	Completion Date
14-14 Business Continuity Plan Ashley Smith	4. HCCS should formalize the processes for creation, maintenance, and testing of business continuity plans to be adequate to allow the Colleges to function in the aftermath of a disaster.	The Office of Risk Management will lead in the development of the Business Continuity Plan through completion and implementation.	**Complete**	On July 5, the Executive Cabinet reviewed and approved a Business Continuity Plan (BCP) that formalizes the creation, maintenance and testing of business continuity plans. The BCP was reviewed by the Board of Trustees on August 18, 2016.	**8/18/2016**

IV.   List of Consulting Engagements and Non-audit Services Completed

Due to the rebuilding state of the Internal Audit Department, no consulting engagements and/or non-audit services projects were performed by the Department in FY 2016.

V.   Internal Audit Plan for Fiscal Year 2017

The Houston Community College (HCC) Internal Audit Department (the Department) will be in rebuilding mode during fiscal year 2017. The Department's ability to function was significantly diminished by the previous Director's illness and the loss of the entire professional audit staff during fiscal years 2015 and 2016. A significant amount of time will be devoted to the following three rebuilding activities:

1) Recruiting quality staff with diversified skill sets;
2) Implementing an automated internal audit management system; and
3) Collaborating with Risk Management to produce an Enterprise Risk Management Assessment.

Plan Development Methodology

In the absence of a defined HHC audit universe and risk-based methodology, a list of High Risk Audit Candidates was developed by soliciting input from two Texas community colleges Internal Audit Executive Directors, HCC's Risk Management Executive Director, and by reviewing HCC's current major activities and KPMG's Internal Audit Top 10 Key Risks in 2016. The list of High Risk Audit Candidates was used to survey the Board of Trustee members and HCC's executive management to develop the Plan. Interviews with executive management were also performed to obtain an understanding of issues and desired scopes.

Internal Audit Department
Fiscal Year 2017 Audit Plan

No.	Project	Description	Est Hours
Priority Audit Projects			
15-12	*Human Resources Operations	Review of reporting, operational efficiency, and compliance with applicable regulations.	480
17-1	*Procurement - Contracting	Review contracting process for regulatory compliance and ensuring timely procurement renewals.	560
17-2	*Procurement - Third Party Relationships/Vendor Set-up	Review the vendor set-up process and compliance with applicable regulations.	560
17-3	IT Cyber & Data Security	High level general controls review of the Information Technology data security management system.	560
17-4	Campus Safety & Security Regulatory Acts Compliance	Review of the management system ensuring Title IX, Clery, and Violence Against Women Acts compliance.	560
17-5	Campus Safety & Security Operations Management	Review of campus physical security and safety and environmental regulatory compliance management.	560
17-6	Accreditation	Review the management system that ensures degree and certificate accreditations are maintained.	560
Priority Administrative Projects			
17-7	Automated Internal Audit Management System Implementation	Select and install a software program that will facilitate the internal audit process automation and document maintenance.	1,200
17-8	FY 2018 Audit Planning & ERM Assessment	Collaborate with HCC Risk Management to complete an Enterprise Risk Management (ERM) assessment for use in 2018 Audit Plan preparation.	800
17-9	Internal Quality Assurance Review	Perform a formal internal quality assurance review.	240
17-10	FY 2017 Annual Audit Report	Compile and prepare State required audit report.	120
17-11	Action Plan Follow-ups	Follow-up on completion of previous audit action plans.	240
17-12	Fraud & Special Investigations	As required	560
Other Planned Audit Projects			
17-13	Contact Hours Reporting	Review of the process for reporting contact hours to the Texas Higher Education Coordinating Board.	560
17-14	*Student Financial Aid Operations	Review of operational processes and compliance with applicable regulations including security and privacy of student records.	560
17-15	*Web Presence	Review the process for approval and posting of Student Catalog.	560
* Rollover project from 2016 Audit Plan			

VI. External Audit Services – Fiscal Year 2016

In FY 2016, the following audits were performed by auditors external to HCC:

- Grant Thornton – Annual Financial Statements Audit

- R.L. Townsend and Associates – ongoing construction in progress audit

- Texas Mutual Insurance Company - Worker's Compensation

- Texas Department of Public Safety - Single Audit report findings for FY ended 2014

- Houston-Galveston Area Council – Compliance Review for TWC/HGAC's FY 2016 Adult Education and Literacy contract with HCC

- Department of Education, Dallas School Participation Division – Program Desk Review related to one certificate program

- Texas Higher Education Coordinating Board – Evaluation and Desk Review of Perkins Grant funds (received as a federal pass-thru from THECB) – *this audit is performed annually*

- Texas Higher Education Coordinating Board – Office of Civil Rights Audit – *(THECB does 2 per year of community colleges, so it occurs about once every 25 years for HCC)*

VII.   Reporting Suspected Fraud and Abuse

HCC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the 83rd Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- The HCC website has a link to the State Auditor's Office fraud hotline.
- In compliance with the reporting requirements of fraud, waste, and abuse, HCC reports all instances of confirmed fraud, waste, and abuse to the State Auditor's Office.
- HCC is working on establishing a confidential independent hotline for people to report suspected fraud.

VIII. **Compliance with TGC, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the HCCS Website**

TGC, Section 2102.015 was added by House Bill 16 (83rd Legislature, Regular Session) on June 14, 2013. Colleges are required to post certain information on their website. Specifically, Colleges 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 report for the previous fiscal year.

HCC Internal Audit will submit the Internal Audit Annual Report to the website coordinators to be posted on the Internal Audit section of the HCC website no later than 30 days after the HCC Board of Trustees approves the current year audit plan. This report includes the TGC, Section 2102.015 standard elements.