

**DEL MAR COMMUNITY COLLEGE**

**FISCAL YEAR 2016 ANNUAL INTERNAL AUDIT REPORT**

**NOVEMBER 1, 2016**

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

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Del Mar Community College (Del Mar or the College) will post this report and its 2017 Internal Audit Plan on its website at [www.delmar.edu](http://www.delmar.edu) on November 1, 2016.

Del Mar will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified or by November 1, 2016. Del Mar will also update the posting with the corrective action taken to address the weaknesses, deficiencies, wrongdoings or other concerns identified in the internal audits.

**II. Internal Audit Plan for Fiscal Year 2016**

The internal audits planned and performed for Fiscal Year 2016 were selected to address the College's highest risk areas, based on the risk assessment process conducted during the fall of 2015, which included input from Del Mar Management.

Internal Audit	Report #	Report Date	Current Status
Admissions / Registrar	IA #01-15	October 20, 2015	The report was issued December 9, 2015. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2017 Internal Audit Plan.
IT General Controls	IA #02-15	March 9, 2016	The report was issued on May 12, 2016. The report was released on August 26, 2016 and presented to the Board October 10, 2016 as confidential according to Texas Government Code §552.139. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2017 Internal Audit Plan.
Financial Aid	IA #03-15	April 25, 2016	The report was issued June 10, 2016. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2017 Internal Audit Plan.

**III. Consulting Services and Nonaudit Services Completed**

As defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, Del Mar College, or any other third party, did not complete consulting and/or non-audit services for FY 2016.

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**IV. External Quality Assurance Review**

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in October 2013.



**System Review Report**

October 4, 2013

To the Partners of Weaver and Tidwell, L.L.P.  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to non-SEC issuers in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

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**V. Internal Audit Plan for Fiscal Year 2017**

Below is the 2017 Internal Audit Plan approved by the College's Board based on the results of the 2015 Internal Audit Risk Assessment.

<b>Fiscal Year 2017 Internal Audit Plan</b>		
<b>Audit Area</b>	<b>Risk Rating</b>	<b>Estimated Hours</b>
Purchasing	<b>High</b>	260-300
Human Resource Administration	<b>High</b>	380-420
Special Projects (as requested)		100-120

Planned follow-up procedures for fiscal year 2017 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

<b>Fiscal Year 2016 Follow-up Procedures</b>		
<b>Audit Area</b>	<b>Risk Rating</b>	<b>Estimated Hours</b>
Admissions / Registrar	<b>High</b>	120-140
IT General Controls	<b>High</b>	60-80
Financial Aid	<b>High</b>	60-80

The projects identified in the FY2017 Internal Audit Plan will not address benefits proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act.

Senate Bill 20 (84<sup>th</sup> Legislature) requires the consideration of the performance of audits on contracts entered into by the Health and Human Services Commission that exceed \$100 million in annual value. This requirement does not apply to Del Mar.

The Purchasing Internal Audit will address the contract management and other requirements of Senate Bill 20 (84<sup>th</sup> Legislature).

The Internal Audit Risk Assessment performed in 2016 included information security as part of the evaluation of information technology risk. Information technology risk was evaluated throughout the risk assessment process, and was considered as part of the overall risk rating of all the significant processes of the College.

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The 2015 Internal Audit Risk Assessment resulted in 24 Significant Activities rated as “High” risk. Nineteen of those Significant Activities are not included in the FY 2017 Internal Audit Plan. Those risks are addressed by the 2015 Risk Response Plan as follows:

High Risk Areas		
Ranking	Audit Area	Risk Response
1	Budget and Planning	Budgeting and planning is monitored by the Board through the budgeting process performed on a quarterly basis. The College is adopting the recommended Budget Practices outlined by the Government Finance Officers Association (GFOA). They are transitioning to best budget practices for Community Colleges for 2017 (for the period September 1, 2017 through August 31, 2018).
2	Risk Management	Risks are partially addressed by the annual State safety audit by the Environmental Health and Safety Department. Some security functions at the College are also outsourced.  The College does not have a formal business continuity plan. However, the College is forming a Risk Management Department to develop and implement a Business Continuity Plan.
3	Grant Management	The risk is partially addressed by the College President's review and approval of grant funds. The College conducts an internal grant compliance review on an annual basis.
4	Revenue	Ad valorem taxes are collected for the College by the county tax collector. The College estimates appropriations on a two year cycle and coordinates with the Legislative Budget Board to monitor the tuition waivers or other student incentives implemented by the State.
5	Branding	The College subscribes to a service that monitors media outlets to alert the College of instances of Del Mar in the media.
6	Reporting	State statutes require every community college in Texas to submit audited annual financial reports to the THECB by January 1st of each year. Annually, independent external auditors perform an audit of Del Mar College's financial statements.  Financial reports are provided in accordance with this standards set by the Government Finance Officers Association.  There are no formal policies in place to address financial reporting, management reporting, board reporting, and state reporting. However, there are investment policies for reporting, review of PFIA reporting, and monitoring by state agencies.

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Ranking	Audit Area	Risk Response
7	Information Security	<p>External security monitoring, firewall management, and tuition payment monitoring are outsourced. Network monitoring is performed internally by management. Access to provision logical user access is restricted to IT personnel.</p> <p>The risks are partially addressed by PCI monitoring performed by Wells Fargo.</p>
8	Student Services	<p>The College monitors its tutoring program internally, funded by grants. There is no third party review of the travel abroad program.</p>
9	Academics and Curricular Activities	<p>The College monitors the requirements of the Southern Association of Colleges and Schools (SACS) but does not formally document its performance. The Curriculum Committee outlines the policies and procedures of the SACS requirements and monitoring. The College is currently reviewing the program to implement new policies to insure the College meets accreditation standards.</p> <p>In order to ensure that the curriculum meets the required minimum standards for various programs, the College performs program reviews on an annual basis to assess the instructional effectiveness of each department.</p>
10	Bursar's Office	<p>Management performs a quarterly review of Accounts Receivable. The College outsources the collection of installment loans (Nell Net) and collections for federal installment loans.</p> <p>Risks are partially addressed in the Admissions and Registration Internal Audit.</p>
11	Database Administration / ERP	<p>Risks are partially addressed through policies, procedures, and security access controls.</p>
12	Capital Assets	<p>Risk are partially addressed by the annual financial statement audit of the College. The Purchasing Department performs some monitoring/audit.</p> <p>The College tags all fixed asset with unique tags. Annual self-audits are conducted through each department with some oversight and monitoring by Purchasing.</p>
13	Communications and External Affairs	<p>The College monitors compliance with public information requests internally and outsources to a public affairs firm.</p>
14	Contract Administration	<p>Contract administration will be a part of the Risk Management Department.</p>
15	Governance	<p>The Board has an independent set of bylaws and consults with internal and external legal counsel when necessary.</p>

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Ranking	Audit Area	Risk Response
16	Asset Protection	The Risk Management Department works with the College's insurance provider to conduct an annual property evaluation and an analysis of insurance by a third party provider.
17	Executive Office	There are several college-wide committees and councils to manage risk across the college and strategies across the College.  There is frequent communication and oversight by the Board of Directors.
18	Business and Community Programs	The College's Mission Statement includes language to address corporate services, college and career programs, workforce development programs, transportation training, and youth camps and academies.
19	Accounts Payable and Disbursements	Accounts Payable/Disbursements risks are partially addressed by the annual financial statement audit of the College. Wells Fargo payment services manager is used for check processing and ACH's are initiated by the College.

**VI. External Audit Services Procured in FY 2016**

Del Mar engaged Collier, Johnson & Woods, P.C., a certified public accounting firm, during FY 2016 as its external auditors. The audit of Del Mar's 2015 financial statements was conducted and issued December 15, 2015.

Del Mar did not engage any other external party to conduct financial, performance or attestation engagements in FY 2016.

**VIII. Reporting Suspected Fraud and Abuse**

To ensure compliance with Article IX, Section 7.10, the General Appropriations Act (82<sup>nd</sup> Legislature) and for the coordination of investigations to ensure compliance with Texas Government Code, Section 321.022, employees are encouraged to report suspected fraud, waste and abuse involving state resources to College Management or directly to the SAO at <https://sao.fraud.state.tx.us/hotline.aspx>.