

DEL MAR COMMUNITY COLLEGE

FISCAL YEAR 2017 ANNUAL INTERNAL AUDIT REPORT

NOVEMBER 1, 2017

TABLE OF CONTENTS

	Page
I. COMPLIANCE WITH TEXAS GOVERNMENT CODE 2102.015.....	1
II. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2017.....	1
III. CONSULTING SERVICES AND NONAUDIT SERVICES COMPLETED.....	1
IV. EXTERNAL QUALITY ASSURANCE REVIEW	2
V. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2018	3
VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2017.....	6
VII. REPORTING SUSPECTED FRAUD AND ABUSE	6

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

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 2018 Internal Audit Plan on its website at www.delmar.edu on or before November 1, 2017. Del Mar College's Board of Regents reviewed and approved the Annual Internal Audit Report as part of their meeting held on August 29, 2017.

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, 2018. 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 2017

The internal audits planned and performed for Fiscal Year 2017 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
Purchasing	IA #01-17	March 10, 2017	The report was issued March 10, 2017. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2018 Internal Audit Plan.
Human Resource Administration	IA #02-17	April 21, 2017	The report was issued April 21, 2017. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2018 Internal Audit Plan.
Follow-Up on Admissions / Registrar	IA #03-17	April 27, 2017	The report was issued July 13, 2017. Follow-up procedures to verify that corrective action has been implemented on the open findings are included in the 2018 Internal Audit plan.
Follow-Up on Financial Aid	IA #04-17	April 27, 2017	The report was issued July 13, 2017. Follow-up procedures to verify that corrective action has been implemented on the open findings are included in the 2018 Internal Audit plan.
Follow-Up on IT General Controls	IA #05-17	August 18, 2017	The report was issued August 21, 2017. Follow-up procedures to verify that corrective action has been implemented on the open findings are included in the 2018 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, Weaver, or any other third party, did not complete consulting and/or non-audit services for fiscal year 2017.

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

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 2016.



System Review Report

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 engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016. 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.

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 engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016, 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*.



Eide Bailly LLP
October 7, 2016

www.eidebailly.com

800 Nicollet Mall, Ste. 1300 | Minneapolis, MN 55402-7033 | T 612.253.6500 | F 612.253.6800 | EOE

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

V. Internal Audit Plan for Fiscal Year 2018

Below is the 2018 Internal Audit Plan approved by the College's Board based on the results of the 2015 Internal Audit Risk Assessment.

Fiscal Year 2018 Internal Audit Plan		
Audit Area	Risk Rating	Estimated Hours
Accounts Payable and Disbursements	High	240-280
Grant Management	High	260-300
Information Security (Limited Scope Design Evaluation)	High	200-240
Special Projects (as requested)		100-120

Planned follow-up procedures for fiscal year 2018 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2018 Follow-up Procedures		
Audit Area	Risk Rating	Estimated Hours
IT General Controls	High	80-100
Purchasing	High	80-100
Human Resource Administration	High	80-100
Financial Aid	High	40-50
Admissions and Registrar	High	40-50

The projects identified in the FY 2018 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 (84th 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 addressed the contract management and other requirements of Senate Bill 20 (84th 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.

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

The 2015 Internal Audit Risk Assessment resulted in 24 Significant Activities rated as “High” risk. Fifteen of those Significant Activities are not included in the FY 2018 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	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.
4	Branding	The College subscribes to a service that monitors media outlets to alert the College of instances of Del Mar in the media.
5	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.
6	Student Services	The College monitors its tutoring program internally, funded by grants. There is no third party review of the travel abroad program.

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

Ranking	Audit Area	Risk Response
7	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>
8	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>
9	Database Administration / ERP	<p>Risks are partially addressed through policies, procedures, and security access controls.</p>
10	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>
11	Communications and External Affairs	<p>The College monitors compliance with public information requests internally and outsources to a public affairs firm.</p>
12	Contract Administration	<p>Contract administration will be a part of the Risk Management Department.</p>
13	Governance	<p>The Board has an independent set of bylaws and consults with internal and external legal counsel when necessary.</p>
14	Asset Protection	<p>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.</p>
15	Executive Office	<p>There are several college-wide committees and councils to manage risk across the college and strategies across the College.</p> <p>There is frequent communication and oversight by the Board of Directors.</p>

**DEL MAR COMMUNITY COLLEGE
FISCAL YEAR 2017 INTERNAL AUDIT REPORT
ISSUED: NOVEMBER 1, 2017**

VI. External Audit Services Procured in Fiscal Year 2017

Del Mar engaged Collier, Johnson & Woods, P.C., a certified public accounting firm, during fiscal year 2017 as its external auditors. The audit of Del Mar's 2016 financial statements was conducted and issued December 8, 2016.

Del Mar did not engage any other external party to conduct financial, performance or attestation engagements in fiscal year 2017.

VIII. Reporting Suspected Fraud and Abuse

To ensure compliance with Article IX, Section 7.10, the General Appropriations Act (82nd 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>.