

**Del Mar College**

Fiscal Year 2019 Annual Internal Audit Report

November 1, 2019

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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 College (Del Mar or the College) will post this report and its 2020 Internal Audit Plan on its website at [www.delmar.edu](http://www.delmar.edu) on or before November 1, 2019. Del Mar College's Board of Regents reviewed and approved the Annual Internal Audit Report as part of their meeting held on October 8, 2019.

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, 2019. 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 2019**

The internal audits planned and performed for Fiscal Year 2019 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
Internal Audit Follow-Up over Admissions / Registrar	IA #01-2019	January 22, 2019	The report was issued January 23, 2019. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit Follow-Up over Accounts Payable and Disbursements	IA #02-2019	December 5, 2018	The report was issued January 21, 2019. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit Follow-Up over Financial Aid	IA #03-2019	December 5, 2018	The report was issued January 21, 2019. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit Follow-Up over Human Resources Administration	IA #04-2019	December 5, 2018	The report was issued January 21, 2019. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit over Grants Management	IA #05-2019	December 7, 2018	The report was issued January 23, 2019. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.

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Internal Audit	Report #	Report Date	Current Status
Internal Audit Follow-Up on IT General Controls	IA #06-2019	April 22, 2019	The report was issued May 30, 2019.  Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit over Student Services	IA #07-2019	April 22, 2019	The report was issued May 30, 2019.  Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Internal Audit Follow-Up over Purchasing	IA #08-2019	April 25, 2019	The report was issued May 30, 2019.  Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2020 Internal Audit Plan.
Information Security	N/A	N/A	Cancelled due to focusing IT resources on selection and implementation of the new ERP system.

The College's rules and policies for the purchasing of goods and services were assessed during the Follow-up Internal Audit of the Purchasing Processes, which was conducted in FY19 and issued on May 30, 2019, and determined to be in compliance with the requirements identified within Texas Education Code, Section 51.9337.

**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 2019.

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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 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](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 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*

Eide Bailly LLP  
October 7, 2016

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**V. Internal Audit Plan for Fiscal Year 2020**

The Internal Audit Plan was submitted to the Del Mar College Board of Regents. The Board of Regents approved the plan on October 8, 2019. Below is the Fiscal Year 2020 Internal Audit Plan submitted to the Board of Regents based on the results of the FY 2015 Internal Audit Risk Assessment. The approved internal audit plan was submitted to the State Auditor's Office prior to November 1, 2019.

Planned follow-up procedures for Fiscal Year 2020 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2020 Internal Audit Plan		
Audit Area	Risk Rating	Estimated Hours
Internal Audit Consulting over Grant Management	High	180 – 200
Student Services Follow-up	High	150 – 180
Grants Management Follow-up	High	150 – 180
Purchasing Follow-up	High	100 – 120
Accounts Payable and Disbursements Follow-up	High	60 – 80
Human Resources Follow-up	High	20 – 40
Admissions and Registrar Follow-up	High	60 – 80
IT General Controls Follow-up	High	40 – 60
Financial Aid Follow-up	High	40 – 60
Special Projects (as requested)		160-180

The projects identified in the FY 2020 Internal Audit Plan will not address benefits proportionality audit requirement prescribed in Rider 8, page III-45, the General Appropriations Act (85<sup>th</sup> Legislature), due to Public Community Colleges being exempt from the requirement.

The College's rules and policies for the purchasing of goods and services will be reassessed during the Fiscal Year as part of the Follow-up Internal Audit of Purchasing for any changes that could affect the College's compliance with the requirements identified within Texas Education Code, Section 51.9337.

A risk assessment was conducted in December, 2015 whereby College Leadership assessed the probability and impact of the following risk categories across all significant activities of the College:

- demographic and economic
- student relations, operations, and compliance
- financial stability and fraud
- information technology
- reputational

The Internal Audit Risk Assessment performed in 2015 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.

Taking into consideration the input from College Management, all significant activities are assigned a risk score for probability and impact related to each category. The overall risk rating (High, Moderate, or Low) was assigned to each significant activity based on the activity's average risk score.

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The internal audit plan is developed by considering risk ratings for each significant activity and prioritizing "High" risk activities. The risk assessment is updated on an annual basis.

The 2015 Internal Audit Risk Assessment resulted in 24 Significant Activities rated as "High" risk. The FY 2020 Internal Audit Plan does not include 14 of the 24 high risk significant activities. Those risks are 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 has adopted the recommended Budget Practices outlined by the Government Finance Officers Association (GFOA) and has formal policies and procedures regarding the development of the budget and financial planning, such as the campus master plan, capital improvement projects, and forecasting of tax revenue.
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.

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High Risk Areas		
Ranking	Audit Area	Risk Response
6	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>
7	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>
8	Database Administration / ERP	<p>Risks are partially addressed through policies, procedures, and security access controls.</p>
9	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>
10	Communications and External Affairs	<p>The College monitors compliance with public information requests internally and outsources to a public affairs firm.</p>
11	Contract Administration	<p>Contract administration will be a part of the Risk Management Department.</p>
12	Governance	<p>The Board has an independent set of bylaws and consults with internal and external legal counsel when necessary.</p>
13	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>
14	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>

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**VI. External Audit Services Procured in Fiscal Year 2019**

Del Mar College engaged Collier, Johnson & Woods, P.C., a certified public accounting firm, during Fiscal Year 2019 as its external auditors. The audit of Del Mar's 2017 and 2018 financial statements was conducted and issued December 6, 2018.

**VIII. Reporting Suspected Fraud and Abuse**

To ensure compliance with Article IX, Section 7.09, the General Appropriations Act (85<sup>th</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>.