



**Locations**

Collin Higher  
Education Center  
McKinney, Texas

Courtyard Center  
Plano, Texas

Frisco Campus

McKinney Campus

Plano Campus

Public Safety  
Training Center  
McKinney, Texas

Rockwall Center

Technical Campus  
Allen, Texas

Wylie Campus

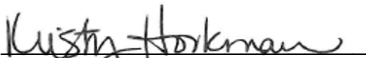
**NOTICE is hereby given that the Collin County Community College District Board of Trustees will hold a meeting of the Finance and Audit Committee (Moses, Arias, and Menon) at 5:00 p.m. on Tuesday, October 20, 2020, in the President's Conference Room 407 at the Collin Higher Education Center, 3452 Spur 399, McKinney, Texas 75069.**

**PUBLIC COMMENT**

**REVIEW AND DISCUSSION ITEMS**

1. Consideration of Approval of the Audit Plan for FY 2021
2. Discussion of Internal Audit Results for the College

*J. Robert Collins, Ph.D.  
Chairman, Board of Trustees*

  
For the Board of Trustees

**iCollin**

[www.collin.edu](http://www.collin.edu)

**Board of Trustees**

J. Robert Collins, Ph.D.,  
*Chair*

Andrew Hardin,  
*Vice Chair*

Jim Orr,  
*Secretary*

Raj Menon, Ph.D.,  
*Treasurer*

Stacy Anne Arias  
Stacey Donald, Ph.D.  
Greg Gomel  
Fred Moses  
Jay Saad

**District President**

H. Neil Matkin, Ed.D.  
3452 Spur 399  
P.O. Box 8021  
McKinney, Texas  
75070  
P | 972.758.3800  
F | 972.758.3807  
[nmatkin@collin.edu](mailto:nmatkin@collin.edu)  
[www.collin.edu](http://www.collin.edu)

***Collin County Community College District Board of Trustees***

1. Finance and Audit Committee

October 20, 2020

Resource: Ali Subhani  
Director of Internal Audit

**DISCUSSION ITEM:** Consideration of Approval of the Audit Plan for FY 2021

**DISCUSSION:** The Director of Internal Audit will discuss a correction to the approved audit plan for fiscal year 2021. The audit plan outlines the work planned for the upcoming fiscal year.



OFFICE OF

# Internal Audit

**Date:** October 27 2020

**To:** Members of the Finance and Audit Committee  
Dr. Neil Matkin, District President

**From:** Ali Subhani, CIA, CISA, GSNA  
Director, Office of Internal Audit *Ali Subhani*

**Subject:** Revised Audit Plan 2021

The Internal Audit Charter requires that the Board of Trustees approve the annual audit plan.

Based on the risk assessment process, the following audits are recommended for approval:

- Return to Title IV
- Purchasing
- Payroll
- Vulnerability Management

The plan is based off of having one auditor in place until a Senior Auditor is hired.

**Collin County Community College District Board of Trustees**

2020-10-X

October 27, 2020

Resource: Ali Subhani  
Director of Internal Audit

- AGENDA ITEM:** Report Out of the Finance and Audit Committee and Approval of the Revised Audit Plan for FY 2021
- DISCUSSION:** The Director of Internal Audit respectfully requests a correction to the approved audit plan for fiscal year 2021. The audit plan outlines the work planned for the upcoming fiscal year.
- DISTRICT PRESIDENT'S RECOMMENDATION:** The District President recommends approval of the revised audit plan.
- SUGGESTED MOTION:** This item comes as a motion and second out of committee. A suggested motion would be, "Mr. Chairman, I make a motion that the Board of Trustees of Collin County Community College District approves the revised audit plan for fiscal year 2021."

***Collin County Community College District Board of Trustees***

2. Finance and Audit Committee

October 20, 2020

Resource: Ali Subhani  
Director of Internal Audit

**DISCUSSION ITEM:** Discussion of Internal Audit Results for the College

**DISCUSSION:** Results for the following internal audit project will be outlined:

- Report Number 20-01 – Property & Surplus



OFFICE OF

# Internal Audit

**October 20, 2020**

Dr. Neil Matkin, President  
Members of the Board of Trustees:

An audit of Property and Surplus for fiscal year 2020 has been completed. The objective of the audit was to evaluate the effectiveness of internal controls over property and surplus and determine compliance with applicable laws, policies, and procedures.

Overall, opportunities exist to improve operational processes related to property and surplus. Implementation of the recommendations outlined in the report will further strengthen the control environment.

Please let me know if you have any questions or comments regarding this audit.

We appreciate the courtesies and considerations extended to us during the engagement.

Ali Subhani, CIA, CISA, GSNA  
Director Internal Audit

**Report Distribution:**

**Collin College:**

Ms. Melissa Irby

**Members of the Board of Trustees:**

Trustee Dr. J. Robert Collins	Trustee Dr. Stacey Donald
Trustee Andrew Hardin	Trustee Greg Gomel
Trustee Jim Orr	Trustee Fred Moses
Trustee Dr. Raj Menon	Trustee Jay Saad
Trustee Stacy Anne Arias	



OFFICE OF

# Internal Audit

## TABLE OF CONTENTS

---

Executive Summary	3
Background	4
Audit Objective	5
Scope	5
Methodology	5
Controls & Strengths Noted	6
Observations	6
Conclusion	13
Priority Findings and Risk Matrix	13
Audit Observation Categories	13

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVE & SCOPE

The objective of the audit was to evaluate the effectiveness of internal controls over property and surplus and determine compliance with applicable laws, policies, and procedures. The scope of the audit included fiscal year 2018 through fiscal year 2020.

### AUDIT RECOMMENDATIONS

Recommendation	Risk Level	Implementation Date
1. Strengthen tracking of college owned assets	High	June 2021
2. Designate a property manager	Medium	June 2021
3. Limit user access in line with job responsibilities	Low	June 2021
4. Update policies and procedures	Low	June 2021

### DESIGNATED MANAGEMENT

#### Responsible Parties



Ms. Melissa Irby,  
Chief Financial Officer



Ms. Barbara Johnston,  
AVP Financial Svcs and Reporting

### CONCLUSION

Overall, opportunities exist to improve operational processes related to property and surplus.

## BACKGROUND

The college capitalizes all assets with a cost of \$5,000 or more and a useful life over five years. The Business Administrative Services (BAS) division tracks the acquisition, and movement of capital assets, and administers the annual inventory. The inventory is completed on a biennial basis. BAS personnel either physically confirm the existence of the item or rely on a confirmation from the designated equipment manager to validate that the item continues to exist at the college.

The BAS coordinates with Facilities and Construction (FAC) division to tag the college's capitalized assets with a unique asset identifier so that college owned property can be tracked. In addition, BAS is responsible for administrative duties related to accounting and reporting for asset costs.

FAC is responsible for administering the auction disposal process. College owned equipment is either auctioned, recycled or sent to the landfill. Any revenue that is generated from asset sales is recorded by BAS personnel.

As of August 31, 2019, the net book value of capital assets was \$502,537,209 on the college's Comprehensive Annual Financial Report (CAFR).

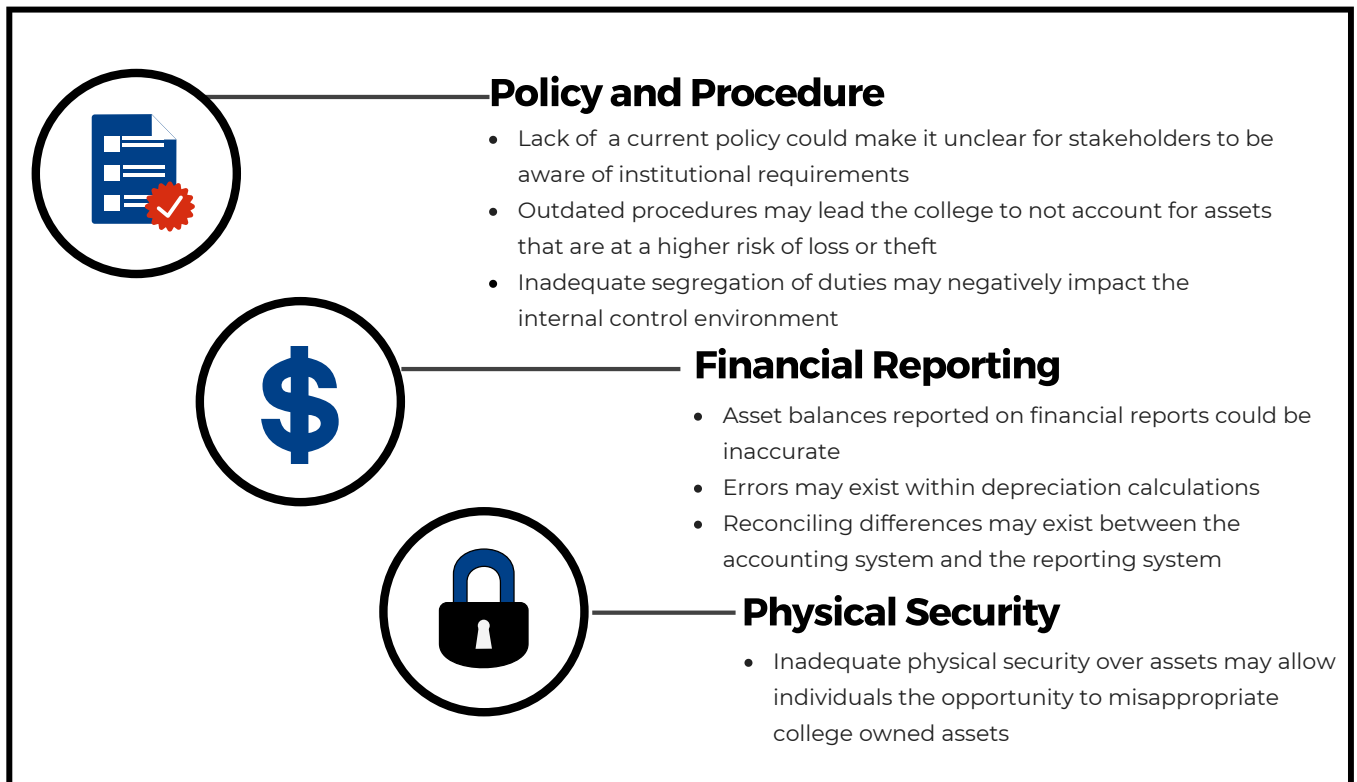
## CAPITALIZED ASSET BALANCES



**According to the CAFR,  
Net of Accumulated Depreciation**

## BACKGROUND

Property administration has a number of unique risks that administrators must be mindful of to maintain the integrity of the asset program. Following is a depiction of potential risks that must be properly managed:



Institutions of higher education are required to comply with sections 403.2715, 403.273(h), 403.275, and 403.278 of the Texas Administrative Code.

## OBJECTIVE

The objective of the audit was to evaluate the effectiveness of internal controls over property and surplus and determine compliance with applicable laws, policies, and procedures.

## **SCOPE**

---

The scope of the audit included fiscal year 2018 through fiscal year 2020. Construction in progress balances were out of scope for this audit.

## **METHODOLOGY**

---

To satisfy audit objectives, the following procedures were performed:

- Interviewed personnel to gain an understanding of processes and procedures related to property administration and surplus property
- Verified proper tagging of assets after acquisition
- Verified the existence of college-owned assets
- Verified the accuracy of asset balances that were set up within the accounting system
- Recalculated and verified the accuracy of depreciation for assets
- Analyzed the revenue collected from asset disposals district wide
- Reviewed the documentation that is maintained to authorize asset disposals
- Reviewed asset disposal practices

The examination was conducted in partial conformance with the guidelines set forth in the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. The Standards are statements of core requirements for the professional practice of internal auditing. Those standards require that sufficient and appropriate evidence is obtained in performing and planning the audit to provide a reasonable basis for the findings and conclusions based on the audit objectives. With the exception of compliance with Standard - 2340 related to supervision, the evidence obtained provides a reasonable basis for the findings and conclusion based on the audit objectives.



# Internal Audit

## CONTROLS & STRENGTHS NOTED

---

The following controls and strengths were noted as the audit was completed:

- In confirmation of a sample of 44 assets with an original cost of \$ 1.67 million, all assets were identified.
- A formalized process to reconcile fixed asset balances within the accounting system to the reporting system is in place.
- An exception report to identify assets that are not setup correctly in the accounting system is utilized.
- Documented procedures to perform an annual inventory exist and all capital assets are verified on a biennial basis.
- Asset values were consistently and accurately set up within the accounting system and records substantiating the cost of capital assets are maintained.
- By routing assets for recycling, 121,000 pounds of surplus assets were saved from the landfill.

## AUDIT RESULTS & MANAGEMENT RESPONSES

---

### 1. Strengthen tracking of college owned assets

Risk Level: High

Category: Governance

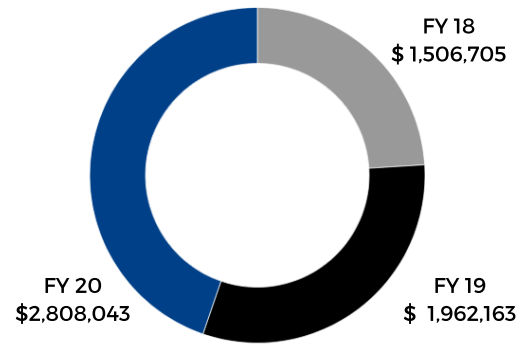
According to Texas Government Code Sec. 403.2715 c:

"At all times, the property records of a university system or institution of higher education must accurately reflect the personal property possessed by the system or institution."

It was noted that assets below the \$ 5,000 threshold are only tracked if required by grant requirements. As a result, items such as firearms, televisions, projectors and computers are not added and tracked on the college's official property records.

Based on a conservative analysis, the college has incurred \$6.27 million in costs for computer and media equipment during the past three fiscal years. This equipment was not added to the official property records. Without expanding the criteria for the type of assets that must be tracked, the college risks not detecting loss or theft of college property.

Value of Computer and Media Equipment not Tracked



Subsequently, in review of property records, assets were noted to be designated to individuals that were terminated. This is because there is no process to update ownership of assets as organizational changes take place.

**According to Texas Government Code 403.275:**

"The liability prescribed by this section may attach on a joint and several basis to more than one person in a particular instance. A person is pecuniarily liable for the loss sustained by the state if: (1) agency property disappears, as a result of the failure of the head of an agency, property manager, or agency employee entrusted with the property to exercise reasonable care for its safekeeping;"

Lastly, it was noted that the results of the annual inventory are not communicated to senior leadership. As a result, the Leadership Team may be unaware of equipment that is not identified in their respective areas during the inventory process.

**Recommendation:**

Tracking of college owned assets should be strengthened by:

- Expanding the criteria for assets that must be tracked on the college's property records. Consideration should be given to incorporate the State Comptroller's [guidelines](#) (for tracking items that exceed five hundred dollar value) when developing the criteria.
- Developing a process to update ownership of assets.
- Requiring the designated Property Manager to provide a report that details the results of the annual property inventory to senior leadership.



OFFICE OF

# Internal Audit

**Management Response:**

There are not defined procedures from the Business Administrative Services Department for tracking assets less than \$5,000. Management has determined that tracking assets of less than \$5,000 would not be feasible with existing staff. There has also been a cost versus benefit analysis of tracking such assets and no known areas of potential risk to the college have been identified. There has also been an evaluation of other community colleges across the state, and only a few track assets that are under \$5,000. Based on this analysis, management recommends not to track assets under \$5,000. The college is currently exploring options in the new Workday software to assign and track technology items issued to the specific employee. This will provide assurance that technology items are returned to college once the employee resigns or retires.

**Person Responsible for Implementation:**

Ms. Melissa Irby, Chief Financial Officer and Ms. Barbara Johnston, AVP Financial Svcs and Reporting

## 2. Designate a property manager

Risk Level: Medium

Category: Governance / Compliance

**According to Govt Code 403.2715(d) :**

"The chief executive officer of each institution of higher education shall designate one or more property managers. The property manager shall maintain the records required and be the custodian of all personal property possessed by the institution."

A property manager has not been formally designated. The requirement to designate a property manager at institutions of higher education has been in place since June 2011.

Without a designated property manager the college risks non-compliance with Texas Government Code.

**Recommendation:**

A property manager should be designated.

**Management Response:**

The BAS department will designate the property manager for the college to be the Chief Financial Officer.

**Person Responsible for Implementation:**

Ms. Melissa Irby, Chief Financial Officer

### 3. Limit user access in line with job responsibilities

Risk Level: Low

Information Technology / Security

According to TAC 202 Control Catalog IA 4:

"A user's access authorization shall be appropriately modified or removed when the user's employment or job responsibilities within the state organization change."

Individuals that did not have job responsibilities related to asset administration were noted with the capability to update asset records within the fixed asset module. A periodic review of access privileges is performed annually. The college risks

unauthorized updates to its property records if user access is not maintained in line with job responsibilities.

**Recommendation:**

User access within the fixed asset module should be restricted in line with a user's job responsibilities.

**Management Response:**

Due to recent staffing changes and responsibilities in the BAS department, security permissions have not been modified to restrict user access to the fixed asset module. User access will be monitored and restricted to only authorized staff.

**Person Responsible for Implementation:**

Ms. Barbara Johnston, AVP Financial Svcs and Reporting

#### 4. Update policies and procedures

Risk Level: Low	Governance
-----------------	------------

**According to Texas Government Code Sec. 403.2715 c:**

"At all times, the property records of a university system or institution of higher education must accurately reflect the personal property possessed by the system or institution."

Asset related procedures posted on the college's portal are not up-to-date and reflective of current practices. The update process that was initiated in February 2019 is not complete due to organizational changes with the BAS division.

Without up-to-date procedures, operational practices may not align with formalized procedures, potentially negatively impacting the accuracy of the college's property records.

**Recommendation:**

Policies and procedures related to asset administration should be updated.

**Management Response:**

The BAS department is in the process of hiring an employee to facilitate the tracking and accounting for fixed assets for the college. Updated policies and procedures will be developed to provide uniform guidance for managing operations, defining the responsibilities for property management, establishing written criteria requiring the campuses to physically inventory, account for, and safeguard each fixed asset under their control. Updated policies and procedures will be published on the college website once completed. This information will likely be available by early summer. The delay is due to the hiring of the employee and the current transition to a new software. Training on policies and procedures will be provided on annual basis by the BAS department to ensure compliance.

**Person Responsible for Implementation:**

Ms. Barbara Johnston, AVP Financial Svcs and Reporting

## CONCLUSION

---

Based on the audit work performed, we conclude that opportunities exist to improve operational processes related to property and surplus.

## PRIORITY FINDINGS AND RISK MATRIX

---

Definitions of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact Collin College. If not addressed in a timely way, could directly impact achievement of a strategic or important operational objective of Collin as a whole.
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to the college's operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose the college. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to the college will be minimal.

## AUDIT OBSERVATION CATEGORIES

---

- Compliance
- Cost Savings
- Financial Reporting
- Governance
- Information Technology / Security
- Operations
- Reputation

**Collin County Community College District Board of Trustees**

2020-10-X

October 27, 2020

Resource: Ali Subhani  
Director of Internal Audit

**AGENDA ITEM:** Report Out of the Finance and Audit Committee and Discussion of Internal Audit Results for the College

**DISCUSSION:** Results for the following internal audit projects will be outlined:

- Report Number 20-01 – Property & Surplus

**DISTRICT PRESIDENT'S RECOMMENDATION:** No recommendation. This item is for presentation only.

**SUGGESTED MOTION:** This item is for presentation only. No action is required.

DRAFT