This Open Meeting of the Board of Trustees is authorized in accordance with the Texas Government Code, §§551.001 through 551.146. Verification of Notice of Meeting and Agenda are on file in the Office of Board Relations. Per Texas Government Code §551.1282, this meeting is being broadcast over the Internet in the manner prescribed by Texas Government Code, §551.128. In accordance with Texas Government Code §551.127 one or more members of the Board of Trustees may participate in the meeting via videoconference in accordance with the provisions thereof.

# NOTICE OF AN AUDIT COMMITTEE MEETING OF THE BOARD OF TRUSTEES FOR DALLAS COLLEGE AND RICHLAND COLLEGIATE HIGH SCHOOL

**Tuesday, September 13, 2022 | 11:00 AM**
**Administrative Office**
**1601 Botham Jean Blvd., Room #036, Dallas, Texas 75215**
**www.dallascollege.edu/boardmeetingslive**

*Persons who address the Board are reminded that the Board may not take formal action on matters that are not part of the meeting agenda and may not discuss or deliberate on any topic that is not specifically named in the agenda. For any non-agenda topic introduced during this meeting, there are three (3) permissible responses: 1) to provide a factual answer to a question; 2) to cite specific Board Policy relevant to a topic; or 3) the topic may, at a later date, be placed on a Board Agenda for a subsequent meeting.*

*Speakers shall direct their presentations to the Board Chair, or the Board, as a whole.*

## Audit Committee Meeting Agenda

Page

**1. Roll Call - Announcement of a Quorum**

**2. Certification of Notice Posted for the Meeting**

**3. Citizens Desiring to Address the Board**

## 4. Committee Presentations

4.1. FY23 Audit Plan & Risk Assessment and Internal Audit Report - 4th Quarter 4 - 22

FY23AuditPlan_RiskAssessment_4thQuarterReport

Presenter: Lori Cox

## 5. Items for Review

5.1. Committee Notes

a. Audit Committee Notes for August 2, 2022 23 - 26

Audit Committee Notes for August 2, 2022

## 6. Executive Session (if required)

6.1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071

6.2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignments, Duties, Discipline, or Dismissal of Officers or Employees- Section 551.074

6.3. Deliberate Regarding Real Property Since Open Deliberation would have a Detrimental Effect Upon Negotiations with a Third Person - Section 551.072

6.4. Deliberate Regarding Security Devices or Security AuditsSections 551.076 and 551.089

## 7. Adjournment

CERTIFICATION OF NOTICE POSTED FOR THE SEPTEMBER 13, 2022
AUDIT COMMITTEE MEETING OF DALLAS COLLEGE AND
RICHLAND COLLEGIATE HIGH SCHOOL BOARD OF TRUSTEES

I, Justin H. Lonon, Secretary of the Board of Trustees of Dallas College, do certify that a copy of the notice for this meeting was posted on the 9th day of September 2022 in compliance with the applicable provissions of the Texas Open Meetings Act.

Justin H. Lonon, Secretary

DALLAS COLLEGE

Board of Trustees

# AUDIT COMMITTEE

September 13, 2022

# INTERNAL AUDIT REPORT

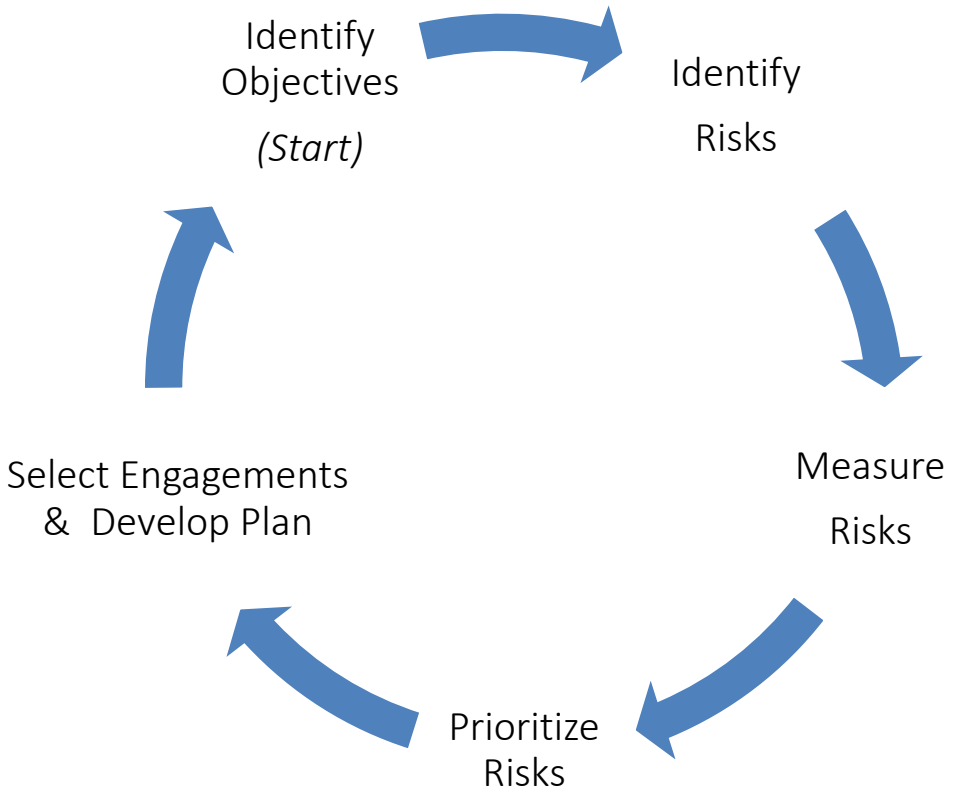
Lori K. M. Cox
Chief Internal Auditor

# INTERNAL AUDIT DEPARTMENT (IAD) REPORT

- FY23 ENGAGEMENT PLAN AND RISK ASSESSMENT
- ENGAGEMENT UPDATES
- ENGAGEMENT PLAN UPDATE SUMMARY
- ENHANCEMENT PLAN UPDATES

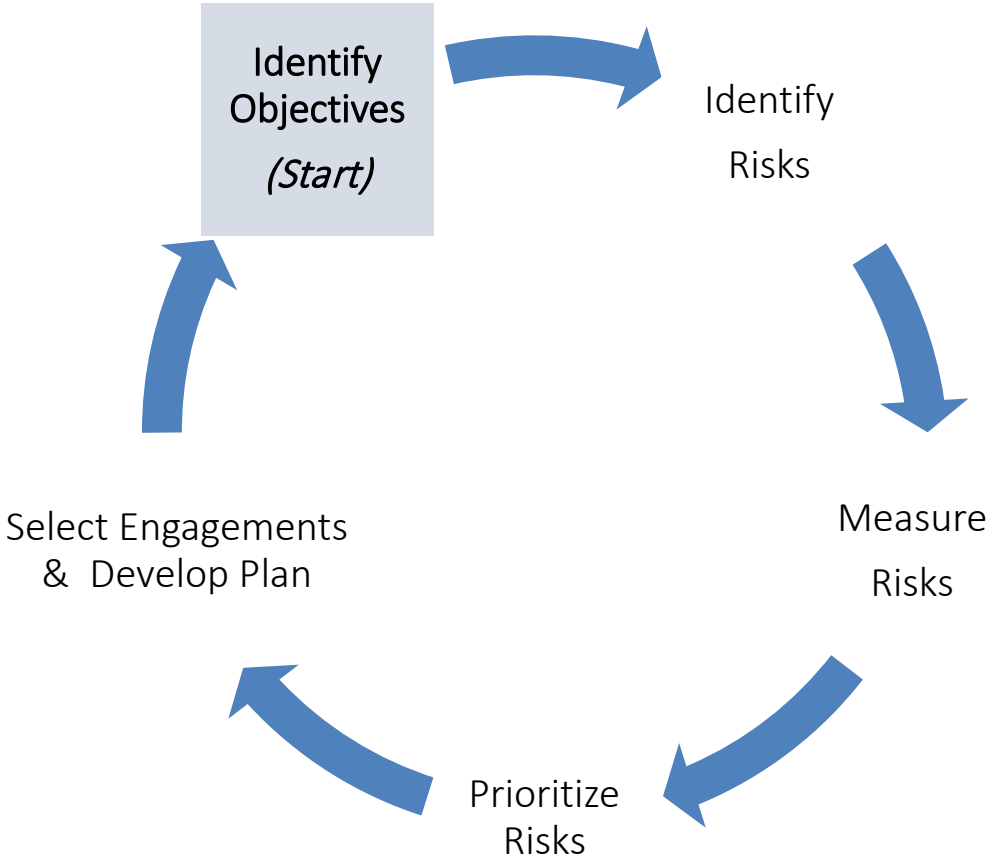
# IAD – FY23 AUDIT PLAN AND RISK ASSESSMENT

## PLAN DEVELOPMENT & RISK ASSESSMENT PROCESS OVERVIEW



# IAD – FY23 AUDIT PLAN AND RISK ASSESSMENT

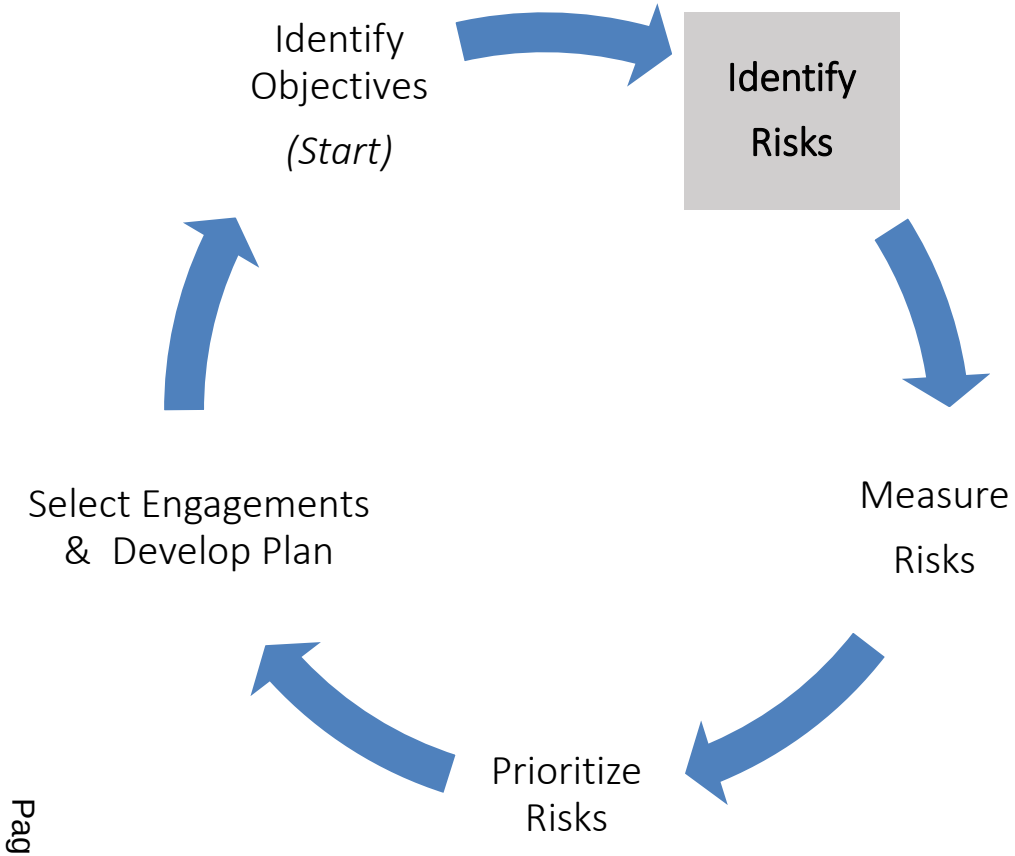
## IDENTIFY OBJECTIVES




The IAD's risk assessment and audit plan supports the College's commitment to the Board of Trustees defined priorities.

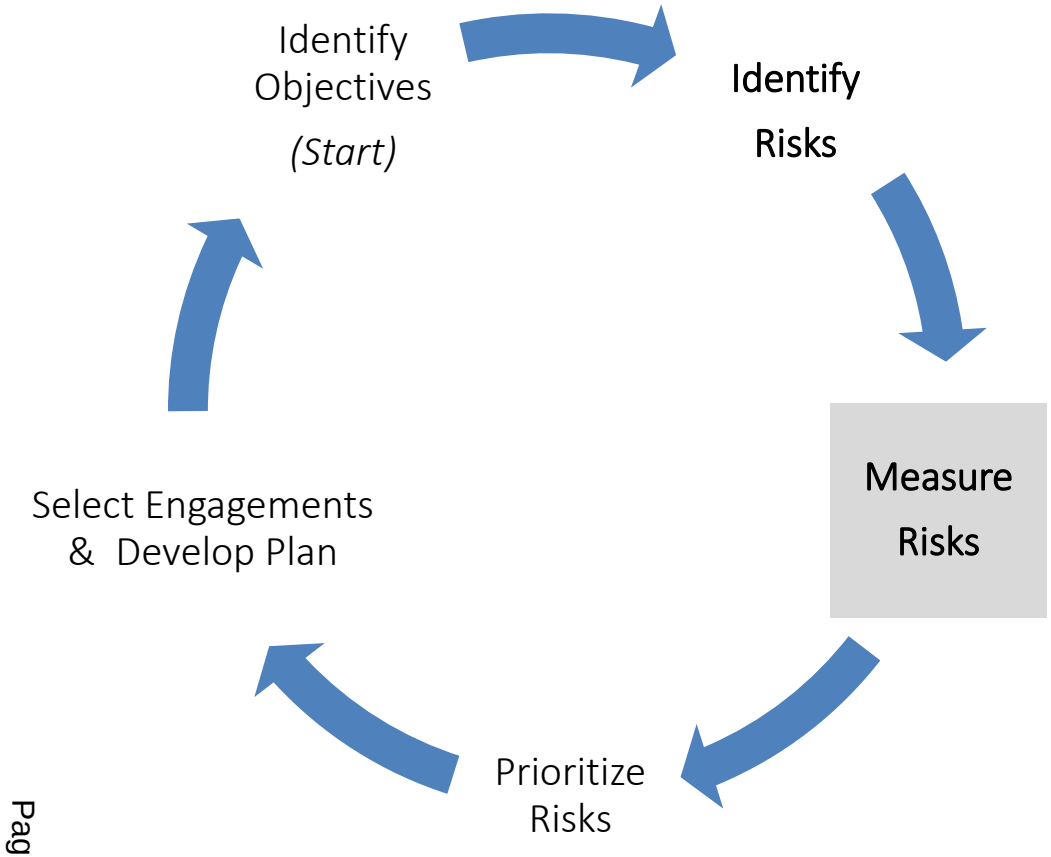
# IAD – FY22 AUDIT PLAN AND RISK ASSESSMENT

## IDENTIFY RISKS




- IAD met with senior management and staff, and surveyed staff, to solicit information to understand areas of risk within the College.
- The risk assessment process is a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the College to help manage risks, provide independent assurance, and consult on projects, implementations, and initiatives.
- IAD also reviewed College information and reports; researched risks common to higher education and other organizations; and reviewed the top topics on corporate internal audit plans, to gain a more holistic view of risks that may be relevant to the College.

## MEASURE RISKS




The significance of risks is assessed based on impact, probability, and velocity.

**Impact (I):** *The effect on the College and stakeholders if a risk event occurs or if the area is not functioning as intended.* Impact can include items such as increased expenses, fines, reputational damage, and reduced employee morale.

**Probability (P)**: *The likelihood that a risk event occurs or that the area is not functioning as intended.* Probability factors can be based on items such as prior audit results, turnover, management and staff concerns, lack of internal monitoring, and operational and control weaknesses.

**Velocity (V):** *The pace the organization is expected to experience the impact of risk.* The speed of regulatory enforcement action is an example of velocity.

# IAD – FY23 AUDIT PLAN AND RISK ASSESSMENT

## PRIORITIZE RISKS, SELECT ENGAGEMENTS, & DEVELOP PLAN

Factors and planning considerations used to prioritize risks and build the engagement plan include:

- Risk that overlap several areas (i.e., management identified, industry identified, internal audit activity identified).
- College specific risks and concerns rated as major or catastrophic Impact, likely or almost certain probability, or rapid velocity.
- Audits required by auditing standards or regulations.
- Internal Audit resources.
- Internal Audit identified areas of concern/review.
- Engagement recently completed or planned.
- Current or upcoming operational and system changes.
- Topics/risks Included in another engagement/review.
- Special requests.

# IAD – FY23 AUDIT PLAN AND RISK ASSESSMENT

## ENGAGEMENT PLAN

### AUDITS/CONTINUOUS AUDITS*

- Cyber & Information Security*
- Dual Credit
- Fixed Assets*
- Procurement*
- Richland Collegiate High School Attendance
- Safety & Security*
- Student Services – International Student Office

*[*The review will be broken down into separate focus areas, completed periodically, due to the size and scope of the function/department. ]*

### SPECIAL REVIEWS & CONSULTING ENGAGEMENTS

- Diversity, Equity, & Inclusion
- Employee Recruitment & Retention
- Environmental Compliance & Controls
- Student Registration & Enrollment Process
- Student Services – Success Coach Program
- Workforce Planning/Staffing

### FOLLOW UP AUDITS

- Professional Development
- Succession Planning

### OTHER SERVICES, DUTIES, & SPECIAL PROJECTS

- Policy, Process & Procedure Special Project
- External Audit Assistance - 2022 Financial and Single Audit
- Fraud Hotline Administration and Monitoring (On-Going)
- Investigations (As Needed)
- Workday Implementation Participation (On-Going)

# IAD – FY23 AUDIT PLAN AND RISK ASSESSMENT

## ENGAGEMENT PLAN, Continued

### PLAN FLEXIBILITY

To ensure the IAD can respond timely to emerging risks and issues, the Engagement Plan is subject to change due to:

- New or emerging risks or priorities
- Management requests
- Special investigations or reviews
- Special consulting services/engagements

### IAD HORIZONS

In addition to the activities outlined in the Engagement Plan, IAD development projects planned for the 2022/2023 fiscal year include:

- Fraud Hotline "Redevelopment"
- Internal Audit Related Training for College Employees
- Audit Internship & Guest Auditor Program

# IAD – ENGAGEMENT & PLAN UPDATES

## CONTINOUS ENGAGEMENTS (CE)

*These engagements are broken down into separate focus areas, and completed periodically, due to the size and scope of the function/department.*

### FIXED ASSETS

Status: Completed, Reporting in Progress

Progress is being made to strengthen fixed asset controls, processes, and procedures. Fixed asset personnel are in the process of integrating and consolidating fixed assets records; in addition, the review and approval of policies and procedures is in progress. An update to the current inventory tagging software is also in progress (by the vendor) and once completed, training will begin. Divisions are now accountable for fixed asset inventory with assistance provided by the fixed asset personnel if needed. Detailed reviews of fixed asset controls, processes, procedures, will begin in FY23 (including fixed asset verification - on a sample basis).

### INFORMATION TECHNOLOGY (IT) & SECURITY

Status: Completed, Reporting in Progress

The objectives of the IT & Security 4th Quarter CE were to determine if the processes for computer incident response and related reporting were documented and functioning as intended and provided adequate cybersecurity protection to the College. Overall, the College had staffed a team to respond to computer incidents and provide monthly reporting to leadership; however, the detailed Incident Response Plan (the Plan) had not been updated since 2014. The IAD recommends implementation of a process to review and update the Plan on at least an annual basis along with the documenting the monthly report preparation and developing metrics/dashboard reporting.

# IAD – ENGAGEMENT & PLAN UPDATES

## CONTINOUS ENGAGEMENTS (CE)

*These engagements are broken down into separate focus areas, and completed periodically, due to the size and scope of the function/department.*

### PROCUREMENT

Status: In Progress
The objective of the Procurement 4th Quarter CE is to document *selected procurement processes* and *evaluate these processes* for efficiency and effectiveness, and provide recommendations as needed for control enhancements, cost savings, and revised workflows.

### SAFETY & SECURITY

Status: Completed, Reporting in Progress
The objective of the Safety & Security 4th Quarter CE was to determine if safety drills and exercises were scheduled as required and properly conducted, and that feedback was recorded and provided to location personnel responsible for safety & security. Overall, the College was conducting and reporting safety drills and exercises across campus and center locations. IAD will be recommending several process improvements to enhance the scheduling and reporting of safety drills and exercises.

# IAD – ENGAGEMENT & PLAN UPDATES

## AUDITS & SPECIAL REVIEWS

### RICHLAND COLLEGIATE HIGH SCHOOL (RCHS) ATTENDANCE

Status: Completed

The objective of this review was to determine compliance with the Texas Education Agency attendance verification requirements. The RCHS attendance records for the Fall 2021 and Spring 2022 terms were accurately reported; however, exceptions were identified with the professor's certification of the Weekly Attendance Sheets. Weekly Attendance Sheets were not signed (Adobe Signed or manually signed) by professors as required to verify attendance. *Exceptions were discussed with appropriate staff and management and corrective action has been implemented to address this issue going forward.*

### PROFESSIONAL DEVELOPMENT

Status: Completed

The objectives of the review were to determine if professional development plans, programs, policies, procedures, and processes were effective and efficient overall, and to verify if professional development requirements were included in the performance evaluation system. Eight separate departments provide professional development opportunities, and although collaboration between the eight different departments is encouraged, the current structure cannot guarantee consistency, coordination, or control quality for all learning and development activities sponsored by DC. In addition, an individualized employee training plans – and ethics training – was not required for each employee. *Exceptions were discussed with appropriate staff and management and corrective action has been implemented to address this issue going forward.*

# IAD – ENGAGEMENT & PLAN UPDATES

## AUDITS & SPECIAL REVIEWS, Continued

### SUCCESSION PLANNING

Status: Completed, Reporting in Process

The objectives of the review were to determine if Succession Planning plans, programs, policies, procedures, and processes were in place and operating efficiently. Currently, there are no policies or procedures to address Succession Planning at DC. Human Resources (HR) is in the initial planning stages of developing a Succession Planning strategy. The HR Strategic Workforce Planning team is creating DevelopU to address Succession Planning processes, Career Pathways, and Performance Management.

## FOLLOW-UP AUDITS

### EMPLOYEE TRAVEL

Status: Completed, Reporting in Process

The objectives of this follow-up were to determine if issues reported in the prior audit had been addressed, to assess compliance with College policies and procedures, and to evaluate the efficiency and effectiveness of current processes and procedures in place. We found that most employee travel expense reimbursements were well documented. However, issues from the prior audit had not been fully addressed – most notably outstanding travel advances were not consistently cleared prior to issuing further advances. In addition, the travel policy does not reflect current enforced practices, and there is an opportunity to improve the efficiency and effectiveness of current processes and procedures in place. IAD provided recommendations on process and policy improvements and going forward will consult with the travel area to assist with policy and procedure updates.

# IAD – ENGAGEMENT & PLAN UPDATES

## OTHER SERVICES, DUTIES & SPECIAL PROJECTS

### BUSINESS CONTINUITY PLANNING SPECIAL PROJECT

Status: Completed, Reporting in Progress, On-Going Monitoring
The purpose of this special project is to provide recommendations, guidance, and information for the developing or enhancing a comprehensive Business Continuity Plan (BCP) for the College. BCP implementation at the College is progressing effectively at the College (the BCP risk assessment has been completed and a business impact analysis is underway). Review of BCP planning and activities will continue in FY23.

### FRAUD HOTLINE ADMINISTRATION & MONITORING

Status: Completed and On-going
Reviewed/investigated three reports in the fourth quarter. *No incidents of fraud, waste, or abuse were identified or substantiated.*

### SPECIAL INVESTIGATIONS/REVIEWS

Status: Completed as needed/requested.
Special investigations and reviews of varied complexity are completed to address, review, or substantiate allegations; provide information; and/or provide recommendations. One special investigation/review was completed in the fourth quarter, and one is in progress. Results and recommendations were, or will be, reviewed with appropriate department leadership for appropriate action.

# IAD – ENGAGEMENT & PLAN UPDATES

## OTHER SERVICES, DUTIES & SPECIAL PROJECTS

### TECHNOLOGY GOVERNANCE

Status: Completed, Reporting in Progress
This special project included reviewing that IT performance is defined, measured, and reported and that IT resources are managed effectively. IT maintains a repository of specific policies, procedures, process documents, systems, applications, and platforms to define, measure, and report performance. In addition, IT leadership is in the process of reorganizing its governance structure and service delivery teams to ensure optimal use of resources. The IAD will communicate recommendations on performance measurement and governance to IT Leadership and going forward provide assistance as needed with implementation.

### WORKDAY IMPLEMENTATION PARTICIPATION

Status: In Progress/On-Going
Ongoing review of overall project health, including the schedule, resources, budget and scope. *No current exceptions noted.* IAD attends regular meetings regarding implementation of Human Capital Management and Finance modules to provide internal control recommendations.

# IAD – FY22 AUDIT PLAN UPDATE SUMMARY

| ENGAGEMENTS | TARGET FISCAL QUARTER | NOTES/COMMENTS |
|---|---|---|
| External Audit Assistance - Financial and Single Audit | 1st | Completed |
| Cares Act Funding Review | 1st | Completed |
| CLERY Compliance | 2nd | Completed |
| Dual Credit Follow-up Audit | 2nd | Moved to FY22/23 |
| IT General Controls Follow-up Audit | 2nd | Completed |
| Business Continuity Planning Special Project | 2nd , 3rd, & 4th | Completed, On-Going Monitoring |
| Employee Travel Follow-up Audit | 3rd | Completed |
| Police Department Property Room | 3rd | Completed |
| Technology Governance Special Project | 4th | In Progress |
| Professional Development | 4th | Completed |
| Richland Collegiate High School Attendance | 4th | Completed |
| Succession Planning | 4th | Completed |
| Cyber & Information Security | Continuous* | Completed, On-Going Monitoring |
| Fixed Assets | | |
| Procurement | | |
| Safety & Security | | |
| Fraud Hotline Administration and Monitoring | On-Going | |
| ecial Investigations/Reviews | | |
| orkday Implementation Participation | | |

*Continuous Engagements: These engagements will be broken down into separate focus areas, completed periodically, due to the size and scope of the function/department.*

# IAD ENHANCEMENT UPDATES

| Enhancement/Development | Status |
|---|---|
| Audit Issues Tracking Process | Completed |
| Audit Process Redesign | |
| Department Charter | |
| Department Restructure | |
| Mission & Vision Statements | |
| Quality Assurance and Improvement Plan | |
| Staff Training & Development Plans | |
| Strategic Plan | |
| Web Page Update | |
| Risk Assessment Process Update | |
| Working Paper Management Software | |
| Department Manual Update | In Progress |

# IAD ENHANCEMENT - ADDITIONS

| Enhancement/Development | Description & Timing |
|---|---|
| Communications & IAD "Education" | ▪ Intranet (Share Point) Update (Completed)<br>▪ Brochure (Completed)<br>▪ Engagement Information Packet & Presentation (Completed)<br>▪ Meetings/Presentations to Staff – On Going |
| Internal Audit Related Training for College Employees | ▪ Potential Topics: Internal Control and Ethics (Completed, In Review)<br>▪ Target Implementation – 2nd Quarter FY23 |

# INTERNAL AUDIT DEPARTMENT REPORT

# *Questions?*

## *Audit Committee*

DALLAS COLLEGE

ITEMS FOR REVIEW NO. 5.1.a.

Audit Committee Notes for August 2, 2022

The Audit Committee Meeting of the Board of Trustees of Dallas College was held Tuesday, August 2, 2022, beginning at 3:10 p.m. at the administrative office in room 036 and was broadcasted via the streaming link https://dcccd.new.swagit.com/events/13901. This meeting was convened by Committee Chair Monica Lira Bravo.

Board Members and Officers Present

* Mr. Cliff Boyd
* Ms. Monica Lira Bravo
  Ms. Charletta Rogers Compton
  Ms. Diana Flores
  Dr. Catalina Garcia
  Dr. Justin H. Lonon (secretary and chancellor)
  Mr. Paul Mayer
  Mr. Philip J. Ritter

* *Denotes a committee member*

Members absent

None.

1. **Roll Call - Announcement of a Quorum** was confirmed by Committee Chair Bravo.

2. **Certification of Notice Posted for the Meeting** was confirmed by Chancellor Lonon.

3. **Citizens Desiring to Address the Board**
   None.

4. **Committee Presentations**
   1. Dallas College Financial Statements - Audit Plan for the Period Ended August 31, 2022

The presentation was presented by Marlon Williams, Partner with McConnell Jones (MJ) who was introduced by Comptroller Pat Disbrow.

Engagement Scope and Objectives

- Express opinions on the College's basic financial statements:
  - Statements of Net Position
  - Statements of Revenues, Expenses, and Changes in Net Position
  - Statements of Cash Flows
  - Notes to the Financial Statements
  - Prepared by the college
- Apply certain limited audit procedures to the College's required supplementary information and supplementary information
- To perform annual attestation procedures to determine the College's compliance with the Texas Public Funds Act
- Yellow Book Report
- Single Audit

Audit Approach

MJ's audit approach focused more on areas of greatest risk by analyzing audit risks, setting materiality thresholds based on audit risk analysis, and developing audit programs that allocated a larger portion of audit resources to high-risk areas.

MJ's audit included procedures in the following phases:
*Planning → Preliminary → Final →Reporting*

MJ's audit would also include determining the effectiveness and adequacy of internal controls for ensuring proper financial accountability, efficient operations, and compliance.

*IT Audit*

Evaluated controls over the IT environment and used data extraction software where applicable to audit transactions through the financial information system.

Engagement Milestones and Timelines

Entrance Conference: May 10, 2022

- Performed Interim fieldwork (audit planning, risk assessment activities and single audit): *July 1 - August 31, 2022*
- Management received audit requests, prepared schedules, and confirmations: *July 17, 2022 (interim), and August 21, 2022 (final)*

- Presentation of audit plan to the Audit Committee: *August 2, 2022*
- Performed audit field work: *October 14 - November 18, 2022*
- Exit Conference with Management: *November 18, 2022*
- Quality control review of workpapers and reports: *November 7 - November 18, 2022*
- Final drafts of financial statements and reports: *November 18, 2022*
- Presentation of draft reports to the Audit Committee and Board of Trustees: *December 6, 2022*
- Issuance/Submission of ACFR to regulatory agencies: *December 11, 2022*

Required Communication with Those Charged with Governance

- *Auditor's Responsibility (included in the engagement letter):*
  - Issue opinion on the basic financial statements.
  - Issue report under the U.S. Generally Accepted Auditing Standards.
- Required AU Section 380 communications of significant audit results
- Written representations made to the auditors by management

- *Management's Responsibilities (included in the engagement letter):*
  - The basic financial statements, accompanying notes, preparation of required supplementary information, supplementary information, and all representations contained therein.
  - Access to all information of which management is aware that is relevant to the fair presentation of the basic financial statements.
  - Selection and application of accounting principles for the preparation of financial data.
  - To include our audit report in any document containing the basic financial statements.
  - Ensuring compliance with applicable laws and regulations, contracts, and agreements.
  - Design, implementation, and maintenance of internal controls to prevent and detect fraud.
  - Maintain adequate records.
  - Correct material misstatements.
  - Informing MJ about all known or suspected fraud.

Areas of Interest/Concern

- Procurement
- Investments
- Federal and State grants reconciliation

- Pension funds and census data
- Allowance for uncollectible accounts
- Follow up on the cash management single audit findings
- Actuarial calculations
- GASB standards effective for fiscal year 2022
  1) GASB 87 – Leases
  2) GASB 93 – Replacement of Interbank Offered Rates
  3) GASB 99 – Disclosures of non-monetary transactions

Other Matters for Discussion

- GASB standards effective for fiscal year 2023
  1) GASB 91 – Conduit Debt Obligations
  2) GASB 93 – Subscription-Based Information Technology Arrangements
- Bond issuance
- Other

GASB Statements

- Applicable for fiscal year 2022
- Requires recognition of all lease assets and liabilities over 12 months as liabilities and right-of-use assets.
- Leases would be presented as financing leases.
- For sample selected, MJ would review lease agreements with lessor and lessee and review whether the lease was appropriately classified and properly recorded.

5. **Items for Review**

   1. Items for Review

      a. Audit Committee Notes for June 7, 2022

         No comments or edits were made.

6. **Executive Session**

   None.

7. **Adjournment**

   The meeting adjourned at 3:25 p.m.