Date: **September 21, 2021**

To: Members of the Finance and Audit Committee

Dr. Neil Matkin, District President

From: Ali Subhani, Director Internal Audit

Subject: Fiscal Year 2022 - Audit Plan Approval

The Internal Audit Charter requires that the Board of Trustees approves the annual Audit Plan. Based on the methodology detailed on page two, the following projects are recommended for approval:

Audits
- CARES Act Compliance
- Texas Administrative Code 202 - Vulnerability Management / Scanning
- Wireless Network Controls

Administrative Projects
- District Anonymous Hotline Implementation
- Follow-up Audits
- Issuance of the Annual Internal Audit Report
- Tarrant County Community College Internal Audit Peer-Review

The plan was based on the utilization of one full-time auditor.

Audit Plan Methodology - Fiscal Year 2022

As required by the Internal Audit Charter, the Director for Internal Audit prepared the Fiscal Year 2022 Audit Plan by identifying the auditable areas for the District. The auditable areas were identified by reviewing budgetary information, the Comprehensive Annual Financial Report, the Collin College website, and Collin College policies (legal and local). In addition, information and resources developed by the Association of College and University Auditors (ACUA), the Institute of Internal Auditors (IIA), and risk assessments and audit plans of other community colleges in Texas were also reviewed. Members of the Executive Leadership Team were also requested to provide suggestions on areas that may require an audit project.

A Risk Assessment was then conducted of the auditable areas based on eight risk factors. Each factor is weighted based on importance and given a risk rating, indicating the risk for that factor to the auditable area. The risk rating for the auditable area is totaled to compute the risk score.

Finally, the auditable areas are sorted by likelihood and impact to the District (highest to lowest) and evaluated for selection based on the Office of Internal Audit's professional judgment. An explanation of the eight factors and risk ratings follows.

I M P A C T

1	Criticality of the Unit	This factor measures the importance of the unit to accomplish the mission of the District. This considers the impact if the unit is unable to provide its service within a required time frame and/or at the expected level.
2	Financial Impact	This considers the overall dollar amount flowing through, committed to, or generated by the unit/process (e.g. expenditures, grant amount, revenues collected/earned). This evaluates the impact of inappropriate activity from a financial perspective.
3	Regulatory Compliance	The complexity, volume, & clarity of regulations / compliance requirements from external requirements impact the District's ability to comply & therefore influences risk. Risks relate to the inability to comply; penalties, fines or litigation; loss of funding sources; & regulatory restrictions.
4	Public Sensitivity	This measures the sensitivity of the unit to public exposure of critical internal issues. This considers the potential effect to the District overall as the result of negative information.

L I K E L I H O O D

5	Control Enviornment	Assessment of the control environment is based on factors such as the adequacy of the existing control structure, expertise of management, historical problems, conditions found during recent reviews/interactions, and the overall effectiveness and efficiency of operations.
6	Changes in the Unit	Changes in management personnel, organizational & operational structure, & the operational systems can influence risk. In some cases, reorganization of responsibilities and activities can result in significant changes that compromise the internal control environment.
7	Complexity of Monitoring Activities	This factor considers the locations/number of locations where activities and the monitoring of these activities take place.
8	Audit History	This considers whether there has been an audit of the unit, the last time an audit was performed, and the results of such audit.

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IMPACT SCALE

	1	2	3
Criticality of the Unit	Operations can be temporarily paused for up to 30 days with minimal impact to students, faculty or staff.	Operations can be temporarily paused for up to 7 days without negatively impacting students, faculty or staff.	Must be continued Cannot pause. Necessary to life, health, security.
Financial Impact	<$300k in resources flow through area.	>$300k- <$999k in resources flow through the area.	>$1M in resources flow through the area.
Regulatory Compliance	Compliance requirements are clear and easy to follow. Breaches of regulatory or contractual obligations are confined to an isolated incident. Not systemic. Fines or penalties would be <$50k.	Compliance requirements are opaque and necessitate action on a monthly basis. Breaches of regulatory or contractual obligations with costs in excess of $50k but <$100k to the institution and increased scrutiny from regulators.	Compliance requirements are complex and necessitate action on a daily/weekly basis. Regulatory censure or action. Breaches of regulatory or contractual obligations with costs in excess of $100k. Possibility of action against specific member(s) of the senior management team.
Public Sensitivity	Impact is isolated to a small group. Damage is reversible.	Negative impact is limited to one campus location, is in the public domain, but with limited publicity.	Long-term / irreparable damage. Negative impact is felt on multiple-campuses and is widely publicized.
Impact Risk Score	**Low** **4 - 6.9**	**Medium** **6.91 - 9.90**	**High** **9.91 - 12.0**

LIKELIHOOD SCALE

	1	2	3
Control Environment	Key Performance Indicators (KPI) are defined for monitoring effectiveness, well-understood chains of accountability exist, and a formal controls framework exists.	Control awareness exists, control activities are designed and in place. Some documentation and reporting methodology exists. Accountability and performance monitoring requires improvement.	Control activities are fragmented, may be managed in "silo", dependent upon individual heroics, with inadequate documentation and reporting methods or inadequate monitoring methods.
Organizational Changes	Little to no organizational changes.	Transition of a Director level or below within an organizational unit.	Implementation of a new process/technology that has college wide impact or transition of a Vice President or Dean.
Complexity of Monitoring Requirements	Monitoring involves low volume activity and is limited to monitoring activity in one department.	Monitoring involves medium volume activity or involves monitoring activity at one college location.	Monitoring involves medium volume activity or involves monitoring activity multiple college locations.
Audit History	A review of the area or process in scope took place within the past 2 fiscal years.	A review of the area or activity took place within the past 3 years.	A review of the area has not been conducted within the past 5 years.
Impact Risk Score	**Low** **4 - 6.9**	**Medium** **6.91 - 9.90**	**High** **9.91 - 12.0**