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**I. Compliance with Posting Requirements**

- The FY 2024 Internal Audit Report and the FY 2025 Internal Audit Plan will be posted to the College's website when the Internal Audit tab is moved to production during November 2024. This will ensure compliance with the provisions of Texas Government Code, Section 2102.015.
- Once the audit tab is live, the following process will be used: Internal Audit provides the approved documents to the webmaster by web form submission, the webmaster loads the documents to the test environment, internal audit reviews the documents for accuracy, completeness and presentation, upon audit's approval, the webmaster migrates the updates from test to production.

**II. Internal Audit Plan for Fiscal Year 2024**

- FY 2024 did not have a formal internal audit plan. Lee College filled the Internal Auditor position effective July 22, 2024. Since that date, Internal Audit infrastructure was developed, including facilitating the annual risk assessment and Fiscal Year 2025 Audit Plan build. Other actions include updating the Internal Audit Local Policy, rolling out risk and audit standards and templates, and designing an internal audit page at lee.edu.

**III. Consulting Services and Non-audit Services Completed**

- No material consulting or non-audit services were completed.

**IV. External Audit Services Procured**

- External Audit Services were not procured to assist the internal audit function.

**V. External Quality Assurance Review (Peer Review)**

- An external quality assurance review was not performed. A plan for a future QA review and its frequency should be decided during FY 2025.

**VI. Internal Audit Plan for Fiscal Year 2025**

- During August and September 2024, Internal Audit met with College leaders to develop an inventory of risks that can impact the College's ability to achieve its mission. Five risks (Strategic, Legal, Operational, Financial, and Physical/Environmental) and 17 sub-risks were identified. Among the 17 sub-risks are competition, customer behavior, compliance, technology, third-party, funding, liquidity, and natural hazard risks. The risk inventory was confirmed by College leadership, including the Board of Regents' Audit & Investment Committee.
- A residual risk assessment was conducted in September with key College executives who own the specific risks or sub-risks. During these sessions, Internal Audit ensured the risk ratings were adequately supported; e.g., aligned with known risk issues, in progress action plans, risk events, and education industry risks based on legal and general liability insurance risk data.
- Internal Audit also met with members of the President's Cabinet during August to obtain their opinions on risks, processes, controls, consulting opportunities, etc., that should be included in the FY 2025 audit plan. During the meetings, Internal Audit conducted reasonable person testing to assure the Cabinet member opinions were supported.
- The results of the discussions and risk assessment were consolidated and analyzed for themes and anomalies to develop the draft internal audit plan. The draft was vetted and prioritized by the Vice President, Finance & Administration and the President. The prioritized draft was presented to the Board of Regents' Audit & Investment Committee for review, refinement, and approval, with their approval received on October 8, 2024.
- There are no cases where a high rated risk is not included in the audit plan.
- As a community college, Lee is not required to and did not consider including audits of benefits proportionality when developing the FY 2025 internal audit plan (see Rider 8, page III-5, the General Appropriations Act (88th Legislature)).

As these are first time audits being performed by Lee audit staff, Internal Audit will gain an understanding the area's business objectives, performance measures, actual performance, key activities, processes, software used, roles and responsibilities, and conduct walkthroughs. At that point, risk and control discussions and ratings will be conducted to set the final scope of each audit.



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Type	Tier	Area	Preliminary Scope	Budget*
Audit	1	Information Technology	Information security, change management, and resiliency effectiveness (coordinate with external auditor given their IT scope)	120
Audit	1	Workforce	End to end process and controls	240
Audit	1	Human Resources	End to end process and controls	160
Audit	1	Purchasing	Purchasing policy compliance and segregation of duties	120
Audit	2	Financial Aid	End to end process and controls	240
Audit	2	Athletics	End to end process and controls	160
Audit	2	AP Payments	Segregation of duties, ACH usage increase, outstanding payments/escheatment	60
Audit	3	Inventory	End to end process and controls	160
Audit	3	Payroll Payments	Segregation of duties, phantom employees, outstanding payments/escheatment	40
Consulting	1	Centralized Risk Database	Collaborate with assurance and management stakeholders to implement a risk issue/action plan database and management reporting platform	80
Consulting	1	ERP Replacement Project	Monitor project management and software lifecycle activities	50
Consulting	1	Data Center Colocation Project	Monitor project management, capacity planning, contracting, and implementation activities	50
Consulting	2	Instrumentl Grants Database Project	Control design, testing, data conversion	60
Follow-up	1	Various	Monitor open issues, action plan progress, selectively test completed action plans	50
<i>Approved by the Board of Regents' Audit &amp; Investment Committee on October 8, 2024</i>				*Initial estimate



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## VII. Reporting Suspected Fraud and Abuse

- The bottom of the Lee College home page has a Quick Links section that includes the “Complaints, Grievances, Concerns” link to a page with instructions and a drop-downs to report multiple types of compliance issues such as Title-IX, Conduct, Bias/Hate Crimes, etc. That page is being modified to create a specific drop-down for fraud and risk reporting and also include a link to provide direct access to the Texas State Auditor’s Reporting Fraud webpage to be compliant section 7.09 of the Texas General Appropriations Act. The updated web page will be live in November 2024.
- If a Lee investigation results in reasonable cause to believe that a Serious Act of dishonesty or fraud, waste, or abuse of state funds may have occurred, the matter will be forwarded to the State Auditor’s Office as required by Texas Government Code, Section 321.022.