The Texas A&M University System Internal Audit Department

FIRST QUARTER REPORT
FISCAL YEAR 2011

December 20, 2010
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Texas A&M Health Science Center
Review of Norman Hackerman Advanced Research Program Awards
PROJECT SUMMARY

Overview

Overall, fleet management processes at Texas AgriLife Research do not provide reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with relevant laws, policies, regulations and Agency rules. The transportation and fleet management function is decentralized, with the responsibility for operational efficiency, effectiveness and regulatory compliance delegated to the department head level. Current processes for reporting to the state’s Office of Vehicle Fleet Management (OVFM) do not ensure completeness, timeliness and accuracy of information. Vehicle usage supporting documentation does not ensure compliance with the Texas Administrative Code (TAC) 2203.001 and, in general, that vehicles are only used for state business. The high level of noncompliance with the state’s Fleet Management Plan and the incompleteness of the records make it difficult for management to determine the extent to which fleet management is effective and efficient. In addition, opportunities for improvement exist in records retention and in the manner in which fuel data is collected and reported. The Agency manages a fleet of 520 vehicles.

Summary of Significant Results

Monitoring and Reporting

Agency management has not provided the decentralized transportation and fleet services function with adequate guidance and oversight. The program lacks a specific coordinator function to ensure the program is operating effectively, efficiently and in compliance with requirements. The Agency’s processes for reporting to the state’s OVFM do not ensure completeness, timeliness and accuracy of information. A review of fiscal year 2010 vehicle data revealed many discrepancies in information such as miles used and fuel and repair costs. The Agency’s current management review team process does not provide sufficient coverage of the fleet management program to ensure compliance with all records and reporting requirements. This elevates the risk that reported fleet management information is
inaccurate and not in compliance with state reporting requirements. In addition, this could adversely affect the quality of fleet management decisions.

Vehicle Usage Documentation

Current processes do not ensure vehicle usage documentation is performed in compliance with state and Agency requirements. Vehicle usage documentation does not always include required information for each trip, including purpose of trip, destination, and passenger details. The lack of complete information elevates the Agency’s risk of noncompliance with state requirements and its inability to demonstrate that vehicles are only used for state business.

Summary of Management’s Response

We acknowledge that due to the decentralized nature of the AgriLife Research Fleet Vehicle Management Program, certain deficiencies in compliance and recordkeeping have occurred. We appreciate the recommendations of the System audit staff and will endeavor to implement those recommendations as outlined below.

Scope

The review of transportation and fleet services' processes at Texas AgriLife Research focused on state reporting, vehicle usage documentation and data retention for the period from September 1, 2008 to June 30, 2010. Fieldwork was conducted from July to August, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Monitoring and Reporting

Observation

The Agency’s fleet management program needs stronger monitoring and more accurate reporting to ensure compliance with state and A&M System requirements.

The Agency does not have adequate processes in place over fleet management to ensure that the fleet management plan is administered in compliance with applicable laws, policies, regulations, and Agency rules. The Agency has not assigned a specific individual responsible for managing the program and ensuring compliance with A&M System and state requirements. Currently, more than thirty employees enter vehicle data into the state system increasing the risk of inconsistency and data inaccuracy. Management indicated that fleet management recordkeeping is generally not the primary focus of individuals responsible for these tasks.

A review of AgriLife Research’s State Fleet Management System data for fiscal year 2010 revealed a number of discrepancies, including negative miles, mileage/usage reported not in line with the corresponding cost, and “active” lightweight passenger trucks reporting zero usage/mileage for extended periods. This suggests that fuel and repair costs are not always captured and reported accurately elevating the risk that fleet management information is incomplete, untimely and inaccurate which could adversely affect the quality of management decisions.

Additionally, while the work of the Agency’s Management Review Team includes reviewing fleet management, the team does not review the completeness, timeliness and accuracy of state reporting and records retention associated with fleet management elevating the risk of noncompliance with A&M System and state requirements.

Recommendation

Improve the Agency’s fleet management program by formally assigning a coordinator to provide guidance and oversight to the fleet management program. Improve compliance with the Agency, A&M System and state requirements by reviewing the entered data prior to submitting it to the OVFM. Also, ensure employees understand the importance of accurate and timely reporting of vehicle data and implement a process to hold Agency employees...
1. Monitoring and Reporting (cont.)

Current vehicle usage documentation processes do not ensure compliance with state law.

Management's Response

A central coordinator over the AgriLife Vehicle Fleet will be appointed by March 31, 2011. This individual’s position description will be updated to reflect the new duties of this position. The coordinator will be responsible for providing all units with guidance and oversight to help ensure compliance with applicable laws, policies, regulations, and Agency rules. Additionally, the Management Review Team will expand its role in monitoring unit records for completeness, accuracy and proper retention.

2. Vehicle Usage Documentation

Observation

For 53% (8 out of 15) of the vehicle use reports reviewed, the purpose of each trip was not documented in a consistent manner, as required by state law. TAC 2203.001 requires the vehicle usage report to include the purpose for which the vehicle was used. For 33% (5 out of 15) of the vehicle use reports reviewed, the destination was not documented for each trip. This is a violation of Agency Rule 21.99.99AP4. Most of the forms reviewed did not indicate whether the driver had passengers or not as required by state law. This may be due to Agency Rule 21.99.99AP4 not expressly requiring documentation of passenger information. The lack of complete information elevates the Agency’s risk of noncompliance with state requirements and its inability to demonstrate that vehicles are only used for state business.

Recommendation

Improve compliance with state law by including the requirement for documentation of passenger information in the Agency’s rule. Ensure users complete all required information in the vehicle use forms and implement a process to hold employees accountable when incomplete information is recorded.

Management’s Response

AgriLife Research Rule 21.99.99AP4 will be updated to require users to complete all required information in the vehicle use forms.
2. Vehicle Usage Documentation (cont.)

including passenger information. This will be completed by March 31, 2011.

3. Records Retention

Observation

The Agency’s fleet management processes do not ensure compliance with the A&M System and state records retention requirements.

The review found that vehicle inspection, repair, and maintenance records are not being maintained for one year after the disposal of the vehicle. Fleet management has been destroying vehicle inspection, repair, and maintenance records three years after the relevant year. Vehicle maintenance records fall under record number 5.6.003 of the state and A&M System Records Retention Schedule and are required to be retained for the life of the vehicle plus one year. In addition, the review found vehicle use records that had not been destroyed after three years, as required by the state and the A&M System’s retention schedule. AgriLife Research Procedure 21.99.99.AP4 (section 2.01.C) requires vehicle use reports to be retained for five years instead of the required three years.

Recommendation

Improve compliance with the A&M System’s Records Retention Schedule by aligning the Agency rules and procedures with the A&M System and state requirements. Additionally, maintain vehicle inspection, repair, and maintenance records for one year after the disposal of the vehicle.

Management’s Response

The Agency rule will be revised by March 31, 2011. All vehicle custodians have been informed of the need to retain inspection, repair, and maintenance records for the life of the vehicle plus one year. Compliance will be monitored by the Management Review Team.

4. Operational Efficiency

Observation

The process for gathering and reporting fuel data could be more efficient.

Opportunities for efficiency improvements exist in the manner in which fuel data is captured and reported. Current processes are manual and rely on the vehicle user to record fuel purchases on the vehicle use form and for a vehicle custodian to enter the data into the state fleet management system in an accurate and timely manner. The issues of inaccurate and incomplete data being
4. Operational Efficiency (cont.) submitted to the OVFM (discussed above) suggest that this may not be the most effective and efficient way of obtaining the fuel data. Management has not considered an automated system. An automated fuel management system provides reliable, accurate and timely fuel and vehicle information, and eliminates the need for manual data entry.

Recommendation

Conduct a cost benefit analysis to determine if an automated fuel management system would be an efficient alternative to the current manual process. For economies of scale such a system could be shared with the Texas AgriLife Extension Service.

Management’s Response

A meeting has been scheduled with fleet management representatives from AgriLife Research and AgriLife Extension to view the automated fuel management system operated by Texas A&M University Transportation Services. After the relevant facts are gathered on the University system, a cost benefit analysis will be conducted to determine if purchasing this system would be a more efficient alternative to the current manual process. A decision on this will be made by March 31, 2011.
BASIS OF REVIEW

Objective

The overall audit objective was to review and assess the financial and management controls of the Agency’s Transportation and Fleet Services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and Agency rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Texas AgriLife Research Rules; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Texas AgriLife Research’s Transportation and Fleet Services function is decentralized, with unit directors being responsible for all decisions including vehicle replacement, vehicle usage documentation, and state reporting. The Agency has approximately 520 vehicles.
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PROJECT SUMMARY

Overview

Overall, the financial and management controls over the Integrated Ocean Drilling Program (IODP) at Texas A&M University provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules with the exception of cost share compliance and environmental health and safety monitoring. Improvements are also needed in information technology disaster recovery planning and payroll routing.

IODP is a research partnership between the Consortium for Ocean Leadership, Columbia University and Texas A&M University to operate the drillship, JOIDES Resolution, archive samples collected, and publish results of scientific operations. IODP was established in 2003 by a ten-year contract projected to total over $400 million. This is the single largest research contract in the Texas A&M University System, and is administered by the Texas A&M Research Foundation and the College of Geosciences.

Summary of Significant Results

Cost Share Compliance

IODP cost share commitments of approximately $55 million cannot be substantiated as accurate and compliant. Cost share accounts were not originally established as required by University procedures to record University payments toward cost share commitments made in the IODP contract with the sponsoring organization. The University does not have a monitoring process to ensure that IODP cost share commitments are maintained in compliance with contract and grant requirements, A&M System policies and University procedures. In addition, documented contractual cost share commitments have not been updated to reflect changes from modifications made to the original contract agreement. Without well-documented information for both the sponsor’s expectations and the University’s cost share payments
the risk is increased that the University will not be able to demonstrate compliance with the sponsor’s cost share requirements.

**Environmental Health and Safety**

Better communication and coordination between IODP and the University’s Environmental Health and Safety Department (EHSD) is needed to ensure that safety hazards at the IODP building are identified and addressed in a timely manner. The IODP building proctor was unaware of safety hazards noted by EHSD inspectors because EHSD inspection reports were not copied to upper management at IODP. In addition, there were areas at IODP that did not receive appropriate inspections due to a lack of communication and understanding between IODP and EHSD about the type of activities occurring in those areas. Timely identification and resolution of environmental health and safety issues decreases the risk of injuries to employees, students and visitors of the IODP building.

**Summary of Management’s Response**

*Management appreciates the work of the System Internal Audit staff. Action steps have begun to implement the recommendations in the report regarding cost share compliance, environmental health and safety inspections, disaster recovery and payroll routing. Management is in the process of implementing changes to operating protocols as a result of a recent reorganization. The report recommendations will be incorporated into the updated protocols.*

*Detailed responses are included in each of the following sections.*

**Scope**

The review of the Integrated Ocean Drilling Program focused on the areas of contract compliance, environmental health and safety, and cash management processes. Transactions and activities were reviewed primarily for the period from June 1, 2009 through May 31, 2010. Fieldwork was conducted from May to July, 2010.
1. Cost Share Compliance

Observation

IODP cost share commitments of approximately $55 million cannot be substantiated as accurate and compliant. Cost share accounts were not originally set up in compliance with University Standard Administrative Procedure (SAP) 15.01.01.M1.03 to record University payments toward cost share commitments. Cost sharing on federal agreements is participation in the costs of a sponsored project by the University using non-federal funding sources. If cost sharing is specified and quantified in the proposal budget, budget justification, or budget narrative by the University, the institution is committed even when not required by the sponsor. Cost incurred by the University to fulfill cost sharing pledges or commitments must coincide with the budget period of the sponsor award.

The University does not have an effective monitoring process to ensure that cost share commitments for the IODP project, which is administered by the Texas A&M Research Foundation and the College of Geosciences, are maintained in compliance with contract and grant requirements, A&M System policies, and University procedures. In addition, documented contractual cost share commitments have not been updated to reflect changes from modifications made to the original contract agreement. For example, the contract originally called for a University cost share commitment to enlarge the core repository at an estimated cost of $1.2 million. It was later determined that this enlargement would not be required by the sponsoring organizations; however, there is no documentation regarding this decision or the resulting changes to University cost share commitments. Many of the individuals involved when these changes were made are no longer available to explain cost share commitment expectations. Without well-documented information for both the sponsor’s expectations and the University’s cost share payments the risk is increased that the University will not be able to demonstrate compliance with the sponsor’s cost share requirements.

Recommendation

Establish a process to effectively monitor IODP cost share commitments for compliance with contracts, grants and University
1. Cost Share Compliance
   (cont.)

   procedures. Ensure that University cost share payments are accurately recorded in IODP cost share accounts. Request updated contractual cost share commitments approved by the sponsoring organization.

   Management’s Response

   The College of Geosciences will have primary responsibility in assuring that cost sharing information is accurate and is recorded in the appropriate accounts. The Texas A&M Research Foundation will assist the College of Geosciences in assuring that the cost sharing commitment is made according to contract requirements. The Texas A&M University Division of Research and Graduate Studies will provide assistance and oversight in the development and maintenance of this process.

   This process will be defined, functioning and the documentation of compliance with cost share commitments will be in place by May 2011.

   Updated cost sharing commitment documentation will be submitted to the sponsor no later than May 2011.

2. Environmental Health and Safety

   Observation

   Better communication and coordination between IODP and the University’s Environmental Health and Safety Department (EHSD) is needed to ensure that safety hazards at the IODP building are identified and addressed in a timely manner. The IODP building proctor was unaware of safety hazards noted by EHSD inspectors because EHSD inspection reports were not copied to upper IODP management. In addition, there were areas at IODP that did not receive appropriate inspections due to a lack of communication and understanding between IODP and EHSD about the type of activities occurring in those areas. Timely identification and resolution of environmental health and safety issues decreases the risk of injuries to employees, students and visitors to the IODP building.

   University Rule 24.01.01.M4 establishes the department as the responsible party for maintaining a culture of safety, responding to safety and environmental audits or inspections, ensuring employees are aware of the University policy pertaining to the environment, and monitoring compliance with applicable rules and regulations. Noncompliance with environmental safety standards
2. Environmental Health and Safety (cont.)

IODP does not have a current, tested disaster recovery plan.

leads to an increased risk of injuries to employees, students and visitors.

Recommendation

Improve communication and coordination between IODP and EHSD to provide for more effective monitoring and timely resolution of safety hazards.

Management's Response

In order to ensure IODP-wide communication of the importance of safety and to improve communications with EHSD, IODP will coordinate with EHSD and jointly review all areas of the IODP facility. The current use of each area will also be reviewed to ensure that each area is receiving the appropriate inspections.

IODP will request that EHSD direct all inspection reports to the building proctor and area safety coordinator for the area reviewed with a copy to the IODP director. Safety coordinators are members of the safety committee. The building proctor, who reports directly to the IODP director, has been named IODP safety committee chairman. The building proctor, under the direction of the IODP director, will utilize the safety committee to ensure that issues are addressed in a timely manner.

The program will be in place, documented, tested, and refined by May 2011.

3. Information Technology Disaster Recovery Plan

Observation

IODP does not have a current, tested disaster recovery plan. A disaster recovery plan had previously been developed and documented; however, it was not kept current, tested or distributed to key individuals. There have been organizational and personnel changes at IODP in the past year. The person that was responsible for the plan is no longer at IODP.

University SAP 29.01.99.M1.32 states, “Maintaining a disaster recovery plan as part of a business continuity plan is of key importance in providing the ability to minimize the effects of a disaster. A disaster recovery plan that is kept up to date and tested on a regular basis allows a department to resume mission-critical functions in a timely and predictable manner.”
3. Information Technology
Disaster Recovery Plan (cont.)

 Failure to develop, document, and formally test a disaster recovery plan and implement adequate data backup practices increases the risk that mission-critical systems and data will not be available in a timely manner in the case of a disaster or other loss of service.

 **Recommendation**

 Establish a current, documented disaster recovery plan, distribute to key personnel and store offsite. Perform disaster recovery testing annually.

 **Management’s Response**

 *IODP Information Technology management has begun the process of updating the IT disaster recovery plan to reflect current operations and updated information technology practices. The plan will be distributed to appropriate personnel. A copy of the plan will be maintained offsite. The plan will be tested in accordance with a rigorous test schedule to ensure adequacy of coverage.*

 *IODP management anticipates that the revised information technology disaster recovery plan will be in place, documented, tested, and refined by May 2011.*

4. Payroll Routing and Approval

 **Observation**

 Payroll actions do not route through IODP management for approval.

 Routing and approvals for payroll actions related to IODP employees does not include IODP management. Payroll actions are created by the payroll coordinator, a Research Foundation employee, and routed to the College of Geosciences for approval. IODP management is not included in the routing for approval. Not including IODP management in the routing and approval process increases the risk of incorrect or unauthorized personnel actions and payroll payments.

 **Recommendation**

 Establish payroll action routing and approval processes that include IODP management responsible for the employees.

 **Management’s Response**

 *The routing and approval process for payroll actions will be modified to assure that IODP management is included in a defined role in the*
4. Payroll Routing and Approval (cont.)

payroll process. Management approval will be in place by November 2010 with the payroll routing and approval modifications documented, tested, and finalized by February 2011.
BASIS OF REVIEW

Objective

The overall objective was to assess the University’s financial and management controls over the Integrated Ocean Drilling Program to determine if resources are used efficiently and effectively and in compliance with applicable laws, policies, regulations, and University rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Integrated Ocean Drilling Program is a ten-year international marine research program that explores Earth’s history and structure recorded in seafloor sediments and rocks, and monitors subsea-floor environments. IODP builds upon the earlier successes of the Deep Sea Drilling Project and Ocean Drilling Program, which revolutionized our view of Earth’s history and global processes through ocean basin exploration. IODP greatly expands the reach of these previous programs by using multiple drilling platforms, including riser, riserless, and mission-specific, to achieve its scientific goals. Prior to IODP, the University served as the science operator for the Ocean Drilling Program from 1985 through 2003.
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PROJECT SUMMARY

Overview

The financial management processes at Texas A&M University – Commerce provide reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with relevant laws, policies, regulations and University rules, except in the area of revenue management. The University’s current accounts receivable collection processes do not ensure compliance with state law and A&M System regulations. In addition, the University’s decentralized departmental receipting processes do not provide reasonable assurance that receipts are deposited timely as required by state law. Opportunities for improvement were also noted in the areas of procurement card purchases, bank reconciliations, inventory management and written procedures.

Summary of Significant Results

Revenue Management

Accounts receivable and receipting processes do not ensure compliance with state law, A&M System regulations and University procedures. The review found compliance exceptions in state warrant holds, demand letters to debtors, and the timeliness with which departmental receipts were being deposited. Management has not provided adequate guidance and oversight in these areas.

Summary of Management’s Response

University management agrees with the findings of the System Internal Audit Department related to their review of the University’s financial management services’ processes. Implementation of the recommendations will ensure compliance with state law, A&M System regulations, and University procedures as well as enhance the integrity and effectiveness of our financial operations. Detailed plans for implementing the review recommendations are identified following the discussion of each notable area.
Scope

The review of financial management services focused on accounts payable, accounts receivable, banking, inventory, payroll, purchasing, and revenue management. Transactions and activities were reviewed primarily for the period from September 2008 through May 2010. Fieldwork was conducted from July to August, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Revenue Management

Observation

1.1 Accounts Receivable

Accounts receivable management processes do not ensure compliance with state, A&M System, and University requirements. The review found compliance exceptions with the state warrant hold list requirements and the University’s procedures on issuing demand letters to delinquent debtors, as discussed below.

State Warrant Hold

For 87% (20 out of 23) of the past due accounts reviewed, management had not placed the account on the state’s warrant hold list, as required by A&M System regulations. A&M System Regulation 21.01.04 requires System members to utilize the state comptroller’s warrant hold process for all delinquent accounts to ensure payments are not issued to the individual or entity that is indebted to the state. Until recently, University accounts receivable management did not pursue the state warrant hold requirement. Management indicated it now places state warrant holds on accounts receivables at the 90-day past due point.

Demand Letters

The University’s procedures for demand letters do not ensure compliance with A&M System regulations. For all (17 out of 17) relevant past due accounts reviewed, management sent more than two demand letters to the debtor. The University sends up to four demand letters to students with outstanding balances while A&M System Regulation 21.01.04 limits the number of demand letters to debtors to two. This elevates the risk of noncompliance with A&M System regulations. Management was not aware of the two-letter limit.

For all the relevant past due accounts reviewed (27 out of 27) management did not send the first demand letter timely, in accordance with University procedures. The untimeliness ranged from 75 to 990 days. University procedures require the first demand letter to be sent 30 days after the obligation becomes delinquent.
For 12% (2 out of 17) of the relevant past due accounts reviewed, management did not send the second demand letter in accordance with A&M System Regulation 21.01.04 and University procedures. A&M System Regulation 21.01.04 requires the second demand letter to be sent 30 to 60 days after the first demand letter. The letters were either sent less than 30 days or more than 60 days after the first demand letter. This was due to the lack of a strong compliance monitoring process to ensure the demand letters are sent in a timely manner.

**Recommendation**

- Improve compliance with A&M System regulations by ensuring that delinquent debtors are placed on the state’s warrant hold list.
- Improve compliance with A&M System regulations by aligning current University procedures with System regulations. In addition, develop and implement a compliance monitoring process to ensure accounts receivable demand letters are sent in a timely manner, in accordance with A&M System Regulation 21.01.04.

**Management’s Response**

**State Warrant Holds**

The University is in agreement that ensuring compliance with A&M System regulations regarding state warrant hold is required and the University will be in complete compliance with A&M System regulations for placing delinquent debtors on the state’s warrant hold list by June 30, 2011. Compliance will be ensured through a systematic process to include identification of all accounts 90 days past due (December 31, 2010); development of written procedures for placing accounts on the state’s warrant hold list and including steps for monitoring compliance (December 31, 2010); completion of the placement of debtors with accounts past due that originated in fiscal year 2005 to date on the warrant hold list (March 31, 2011); the implementation of steps necessary to ensure ongoing compliance with the A&M System regulations through the implementation of quarterly compliance auditing (May 2011); and the placement of delinquent debtors on the state’s warrant hold list by June 30, 2011.

**Demand Letters**

The University agrees that its demand letter process must be realigned to comply with A&M System regulations. Effective immediately following the conclusion of the fieldwork conducted for this review, the University ceased mailing out a third demand letter in accordance with A&M System Regulation 21.01.04.
1.1 Accounts Receivable
(cont.)

The University also recognizes the need to implement procedures to ensure that demand letters are transmitted to debtors in a consistent and timely manner. A complete review of this process is underway in order to determine the feasibility of relying on the Banner student accounting system to schedule and automate the process. Regardless of the application utilized to generate and log the letters, the University expects to be in full compliance with transmitting letters to delinquent debtors on a timely basis as well as implementation of monitoring procedures to ensure compliance by April 30, 2011.

1.2. Timeliness of Deposits

Observation

Departmental receipting processes do not ensure timeliness of deposits in compliance with state and A&M System requirements.

The University's departmental receipting processes do not provide reasonable assurance that receipts are deposited timely in accordance with A&M System Regulation 21.01.02. Fifty-three percent (16 out of 30) of departmental receipts tested were not submitted to the Business Office in a timely manner. A&M System Regulation 21.01.02 requires departmental receipts to be submitted to the Business Office either daily (for $200 and over) or at least once every three business days. The untimeliness ranged from 1 to 31 days. Forty percent (12 out of 30) of departmental receipts tested were not deposited with the bank within seven days as required by state law, Section 51.003 of the Texas Education Code. The untimeliness ranged from 1 to 43 days. Not depositing funds in a timely manner increases the risk for funds to be lost or misappropriated as well as the risk of noncompliance with state and A&M System requirements.

Receipting is one of the University's most decentralized financial processes with receipting of funds occurring in approximately 60 departments. Current procedures do not include monitoring receipting activities to ensure receipts are deposited timely, either daily (for $200 and over) or at least once every three business days. The high exception rates suggest that management has not provided departments with adequate guidance or monitoring over the decentralized financial procedures. Additionally, current processes do not ensure departmental cashiers are held accountable for complying with A&M System requirements.

Recommendation

Improve compliance with state and A&M System requirements. Consider streamlining the departmental receipting function by reducing the locations on campus where funds are collected. Also
Opportunities for improvement exist in compliance with the University’s procurement card purchase procedures.

1.2 Timeliness of Deposits (cont.)

provide the departments with additional guidance and monitoring in the area of departmental receipting.

Management’s Response

The University agrees that its departmental receipting function needs to be reviewed in order to reduce the number of departments making deposits as well as increase the level of training and guidance provided to department personnel on the procedures necessary to ensure compliance with A&M System requirements. A review of deposit activity by department is underway so that a determination of risk versus need may be made. Where available, the number of departments making deposits will be reduced by providing the departments with payment acceptance alternatives.

The review is expected to be completed by December 31, 2010 and a report of departments ranked by volume and frequency provided to upper management along with recommendations on which department receipting locations can be consolidated. Where feasible, consolidations will be implemented by March 31, 2011. Additional guidance in the form of documented procedures and a training program will also be implemented by March 31, 2011.

A program for consistently monitoring compliance with A&M System requirements, including provisions for periodic audit of departmental receipts, will be implemented by May 31, 2011.

2. Procurement Card Purchases

Observation

Current processes do not ensure that procurement cardholders submit supporting documentation for procurement card purchases in a timely manner. For 38% (11 of 29) of the procurement card purchase transactions reviewed, the cardholder had not submitted supporting documentation by the University deadline. The University requires cardholders to submit supporting documentation by the 23rd day of the following month. In addition, for 40% (12 out of 30) of transactions reviewed, the Accounts Payable Department did not post expenditures to the respective Financial Accounting Management Information System (FAMIS) accounts within 30 days of the statement date, as required by University procedures. This elevates the risk of procurement cards being used inappropriately and not being detected in a timely manner as well as the risk of noncompliance with University procedures. These issues are partly due to the process being manual and time-
2. Procurement Card Purchases (cont.)

Current bank reconciliation processes do not ensure reconciling items are cleared in a timely manner.

consuming. Management indicated it is aware of these issues and is planning on implementing CitiManager, a procurement card management system that gives card users access to view, code, and approve expenditure transactions online in fiscal year 2011.

Recommendation

Improve compliance with University procurement card procedures by implementing CitiManager.

Management’s Response

The University concurs that the time-consuming and manual process of reconciliation for procurement cards creates an elevated risk. We are in the process of transitioning from JP Morgan Chase to Citibank as our procurement card company. During this transition, Texas A&M University-Commerce will implement CitiManager, an online procurement card management system. This system should satisfy the issues discovered in this audit. Our plan is to have CitiManager implemented by August 31, 2011.

3. Bank Reconciliations

Observation

For all (10 out of 10) bank reconciliations reviewed, reconciling items were not cleared within 90 days of the transaction date. Performing and reviewing bank reconciliations and clearing reconciling items in an untimely manner reduces the effectiveness of the reconciliation as an internal control and increases the risk of impropriety. Management was aware of this issue and indicated it was due to prior issues with timely preparation of bank reconciliations and resolving old outstanding reconciling items.

Recommendation

Improve the effectiveness of bank reconciliations by ensuring reconciling items are cleared timely.

Management’s Response

The University agrees that stale outstanding reconciling items on bank reconciliations may reduce the effectiveness of the reconciliation and increase the risk of impropriety. Reconciling items with dates of ninety days or earlier have been cleared as of August 31, 2010. Effective with the October 31, 2010 bank reconciliations,
3. Bank Reconciliations (cont.)

3. Bank Reconciliations (cont.)

| all reconciling items will be resolved within 90 days of the transaction date. |

4. Property Inventory Management

Observation

Current property inventory management processes do not ensure compliance with University procedures.

Thirty-three percent (4 out of 12) of the annual property inventory certifications reviewed had not been submitted timely. In addition, inventory spot checks were not performed consistently in accordance with University procedures. This elevates the risk of property being misappropriated or lost and the risk of noncompliance with University procedures. The high exception rate suggests that additional guidance and oversight is needed in this area.

Recommendation

Improve compliance with University procedures by enhancing property inventory management written procedures and improving compliance monitoring.

Management’s Response

The University agrees that its current written procedures are not being consistently followed with regard to timely completion of the annual physical inventory as well as the completion of periodic spot checks. The University will change the wording of its existing inventory policy with regard to the required due date for submitting the annual inventory and require that departmental annual inventories be submitted by July 1 of each year. Additionally, the University will incorporate new language into its policy to allow requests for extension to be submitted to the Property Manager by July 1 on a university-approved form and in accordance with University procedures. These policy changes are expected to be implemented by December 31, 2010.

Compliance procedures will be implemented to review the timeliness of annual inventory submissions. An escalation notification system will be implemented so that the appropriate department head, dean, provost, and/or vice president is notified if an annual inventory or authorized request is not received in a timely manner. If the inventory is not received within two weeks of the original due date or approved extension date, the president will also be notified. Compliance procedures will be incorporated into the University’s written procedures by December 31, 2010, with procedure implementation by May 31, 2011.
Financial Services has not developed written procedures for certain accounts receivable processes.

4. Property Inventory Management (cont.)

University procedures will also be implemented to include consistent inventory spot checks so that risk of misappropriation or loss is minimized. A minimum of three spot checks will be conducted annually. Additionally, spot checks may be conducted in the event of a change in departmental leadership, or a change in the physical location of the department. These procedures will take effect immediately and a minimum of three spot checks will be conducted by August 31, 2011.

5. Written Procedures

Observation

Financial Services has not developed written procedures for the write-off of uncollectable accounts, as required by A&M System Regulation 21.01.04. As a result, the University has some accounts receivables dated as far back as 2001. In addition, the University has not developed written procedures for placing delinquent debtors on the state’s warrant hold list. This elevates the risk of noncompliance with A&M System and state requirements, as well as the risk of carrying an inflated accounts receivable balance that reflects these uncollectible accounts. Management indicated that it had focused its efforts on ensuring the accuracy of the accounts receivable balances after which it would develop and implement write-off procedures.

Recommendation

Improve compliance with System Regulation 21.01.04 by developing and implementing written procedures.

Management’s Response

The University is aware of the importance of written procedures for the write-off of uncollectible accounts as well as for placing delinquent debtors on the state’s warrant hold list. Development of written procedures for the consistent write-off of uncollectible accounts in accordance with A&M System Regulation 21.01.04 is underway and will be fully implemented by March 31, 2011.

As discussed in management’s response to Section 1.1 Accounts Receivable State Warrant Hold of this review, written procedures for placing debtor accounts on the state’s warrant hold list will be developed and implemented by December 31, 2010.
BASIS OF REVIEW

Objective

The overall objective was to evaluate the financial and management controls over the University’s financial management services’ operations to determine if resources are used efficiently and effectively, assets are safeguarded, and compliance is achieved with applicable laws, policies, regulations, and University rules. The University’s financial management services include budgeting, receivables and disbursements, accounting and reporting, property management and payroll.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The financial management services’ functions are mostly centralized, with the Office of Financial Services aiming to provide guidance and monitoring for the decentralized financial processes performed at departments. The main decentralized financial processes are purchasing (for transactions of less than $3,000) and departmental cash receipting. Financial Services has approximately 35 staff with an annual budget of approximately $1.9 million.
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PROJECT SUMMARY

Overview

The controls established for international travel at Texas A&M University regarding the health and safety of faculty, staff, and students are effective in providing reasonable assurance that the University is operating in compliance with applicable laws, policies, regulations, and University rules. Improvements need to be made in the financial aspects of international travel including establishing contracts with vendors associated with foreign travel and routing contracts through appropriate delegations of authority. Opportunities for improvement were also noted in the areas of timeliness of voucher submission for faculty and staff travel reimbursements and working funds. In addition, the welfare of students traveling internationally could be enhanced through the required submission of documentation through software currently in place in the Study Abroad Programs Office.

Approximately 1,500 faculty and staff foreign travel vouchers were processed from September 1, 2009 through June 30, 2010. Additionally, 355 student trips involving approximately 2,400 students were taken during the same time period.

Summary of Significant Results

Foreign Travel Contracts

Contracts could not be located for seven of seventeen vendors associated with foreign student travel. Thirteen vouchers totaling approximately $1.5 million were paid to these seven vendors during the audit period, the largest of which totaled $514,967. Of the ten remaining vendors, seven vouchers totaling approximately $330,000 were paid in association with contracts that did not have evidence of appropriate delegation of authority. Vendor contracts provide the University and vendor with a defined understanding of product and service expectations and provide legal substance should an issue arise. Routing contracts to proper levels of authority further ensures University and student interests are adequately protected.
Summary of Management's Response

Management agrees with the report recommendations. Efforts are in progress to improve compliance regarding establishing contracts with vendors related to foreign student travel and routing through the appropriate delegations of authority. Additionally, guidance regarding working fund submissions will be updated for consistency and information about timeliness of personal reimbursements added to training material. Student information required to be submitted prior to departure will be reviewed and the related standard administrative procedure updated appropriately.

Scope

The review of international travel focused on safety and financial controls over international travel of faculty, staff and students. This included identification of University units involved in international travel, information systems used to capture traveler information and processes in place to ensure compliance with federal and state laws, System policies, regulations and University rules. Areas of fieldwork included faculty, staff, and student compliance with international travel guidelines, contracts with vendors associated with student international travel, and working funds issued for international travel. Documentation was reviewed for the period of September 1, 2009 through June 30, 2010. Fieldwork was conducted in July and August 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Foreign Travel Contracts

Observation

Contracts, which may include purchase orders, agreements, or memoranda of understanding, could not be located for seven of seventeen (41%) vendors associated with foreign travel. Thirteen vouchers totaling approximately $1.5 million were paid to these seven vendors during the audit period, the largest of which totaled $514,967.

Of the ten remaining vendors, thirteen contracts had been established. Contracts may be established per trip, thus one vendor may have more than one contract. Six of the thirteen contracts (46%) did not have evidence that the appropriate delegation of authority was obtained. Four of the six were not approved by appropriate levels of management while routing forms could not be located for the remaining two. Seven vouchers totaling approximately $330,000 were paid in association with these six contracts.

University Rule 25.07.03.M1, Purchasing Procedures details that expenses related to student travel with the exception of air and bus charter are exempt from competitive bidding requirements and may be purchased by departments regardless of dollar amount. The classification as an exempt purchase, however, does not alleviate the need to establish a contract.

University Rule 25.07.99.M1, Contract Administration reveals that written contracts shall be executed whenever the University enters into a binding agreement with another party that involves stated or implied consideration. The contract requirement may be waived if stated or implied consideration is $5,000 or less. All vouchers tested exceeded the $5,000 limit.

Vendor contracts provide the University and vendor with a defined understanding of product and service expectations and provide legal substance should an issue arise. Routing contracts to proper levels of authority further ensures University and student interests are adequately protected.
**Recommendation**

**1. Foreign Travel Contracts**

<table>
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<tr>
<th>Recommendations</th>
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<tr>
<td>Adhere to University Rule 25.07.99.M1, Contract Administration by establishing contracts with vendors to whom stated or implied consideration of greater than $5,000 will be exchanged. Ensure contracts are processed through proper delegations of authority.</td>
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</table>

**Management’s Response**

An analysis of current major vendors will be performed and contracts established as appropriate. Also, in order to raise awareness and improve compliance with University Rule 25.07.99.M1 regarding impending foreign student travel, communication to the University community of the contract requirements and proper delegation of authority regarding student travel will be enhanced. Multiple communication methods will be utilized such as presentations at business councils and use of various listservs.

**Target Date:** May 2011

In addition, Contract Administration will amend University Rule 25.07.99.M1 to provide clarification of contract requirements and delegation of authority regarding student travel and to improve the process for handling foreign travel services. The amended rule will specify that the acquisition of travel and lodging services (which are typically booked through a travel agency) are not required to be submitted for review by Contract Administration. The amendment will also include information on the use of a Foreign Travel Services Addendum, to be developed in coordination with the Office of General Counsel, for use with vendors providing services (excursions, field trips, etc.) in addition to travel and lodging.

**Target Date:** May 2011

**2. Timeliness of Voucher Submissions**

**Observation**

<table>
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<th>Observation</th>
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<tr>
<td>Twelve of thirty-six (33%) vouchers for reimbursement of individual faculty and staff international travel were not submitted to Financial Management Operations within thirty days of the return of travel. In addition, seven of fifteen (47%) working funds were not fully submitted as required to Financial Management Operations within thirty days of return of travel. Four of those seven (57%) were not fully submitted within sixty days of return of travel.</td>
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According to the University Disbursements Manual, employee reimbursement documents are not subject to the Texas Prompt Payment law.

The University Disbursements Manual also relates that travel vouchers prepared in association with travel advances (working funds) must be prepared and submitted to Financial Management Operations within thirty days of return from travel. University SAP 21.01.03.M0.01, Guidelines for the Use of Working Funds for Student Programs Conducted Outside the U.S. conflicts with the Disbursements Manual as it details voucher information should be submitted to the Study Abroad Programs Office or department/college accountant or business office within thirty days of return of travel. Discrepancies between these sources could result in delay of documentation to Financial Management Operations.

According to the University Disbursements Manual, past due travel advances are subject to taxation at one hundred twenty days past due and a hold being placed on the employee at sixty days past due which will prevent the employee from receiving reimbursements or subsequent travel advances until the travel advance is paid back. These holds were not placed on the delinquent vouchers identified in the sample as they had been substantiated, although not completed, prior to the 60 and 120 day deadlines.

Delayed submission of individual employee reimbursements results in employees not receiving reimbursement of personal funds spent for business purposes in a timely manner.

**Recommendation**

Determine the appropriate time frame in which working funds issued for international travel should be submitted to Financial Management Operations. Update guidance, including standard administrative procedures and manuals to reflect this information.

Continue to relay the importance of timely submission of post-travel employee reimbursement vouchers at disbursement trainings.

**Management's Response**

*Financial Management Operations will determine the appropriate time frame for which working funds are to be submitted to Financial Management Operations. The University Disbursements Manual and standard administrative procedure will be updated as appropriate to provide consistent guidance on the time frames.*
2. Timeliness of Voucher Submissions (cont.)

Target Date: February 2011

Financial Management Operations will include information in disbursement training on the benefits to the employee and University from prompt processing of post-travel employee reimbursements.

Target Date: February 2011

3. Student International Travel

Observation

Information necessary to aid students while traveling internationally is not captured in a central location.

According to the University SAP 13.04.99.M1.01, Student Travel, students traveling internationally should complete their travel notice through the Study Abroad Programs Office; however, there is no requirement on what information students must submit. The software (Studio Abroad) through which students register provides a repository for information such as insurance held, waiver and release forms, and emergency contact information. Students are not required to submit this documentation through Studio Abroad and it may instead be held in the associated department.

Incidents involving student international travel could result in a significant reputational risk for the University. Maintaining student documentation in one central location would allow the University to better manage risks associated with international travel.

Recommendation

Consider expanding the University SAP 13.04.99.M1.01, Student Travel to include required submission of documentation through Studio Abroad prior to trip departure.

Management's Response

Student Affairs, in consultation with the Study Abroad Programs Office, will update University SAP 13.04.99.M1.01, Student Travel to specify required information to be submitted through the software (Studio Abroad) utilized by the Study Abroad Programs Office prior to student international travel.

Target Date: May 2011
BASIS OF REVIEW

Objective
The objective of the audit was to review and assess the University's financial and management controls over international travel to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria
Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Texas A&M University Rules; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background
International travel is a decentralized function at Texas A&M University. Faculty, staff and students participate in international travel though a variety of opportunities including Study Abroad, international internships, field trips, faculty-led programs, conferences and research activities. Processing and monitoring of staff, faculty and student international travel involves the Study Abroad Programs Office, Student Affairs, Contract Administration, Financial Management Operations, and college and department units.
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PROJECT SUMMARY

Overview

Overall, Texas A&M University has controls and processes in place over time and effort reporting to provide reasonable assurance that it is substantially in compliance with applicable laws, policies, regulations, and University rules except in the area of effort charged with no benefit to sponsored research. Opportunities for improvement were also noted with respect to effort certification, training, payroll corrections, and payroll monitoring. Federal Office of Management and Budget Circular A-21 requires time and effort confirmation on federally-sponsored projects. To meet this requirement, the University has recently implemented an A&M System-developed online, automated reporting system, the Time and Effort Reporting Information System (Time and Effort System).

Summary of Significant Results

Effort Charged with No Benefit to Sponsored Research

Ten percent (3 of 30) of employees tested who certified 100% effort within one month to sponsored research, performed activities during that month with no benefit to the research. In a separate test, twenty percent (3 of 15) of employees tested, who charged 100% of their effort to sponsored research during a six-month period, spent time on activities during that period with no benefit to the research. These activities included writing proposals, serving on committees, and preparing for classes. The University is not in full compliance with Office of Management and Budget Circular A-21 which establishes that only employee activities directly benefitting federally-sponsored research projects are allowed to be charged to such projects.

Summary of Management’s Response

Research Services will continue working to enhance and develop the effort reporting processes and procedures at Texas A&M University to ensure compliance with OMB Circular A-21. In efforts to effectively analyze and address areas of noncompliance, the
Division of Research and Graduate Studies will lead an initiative to work with university colleges and departments on effective budgeting methodologies that will facilitate an accurate and timely charging of time and effort on federally-sponsored projects. The Division will work to require periodic training for employees using the Time and Effort Information Reporting System.

Scope

The review of time and effort reporting focused on internal controls, including the effort certification process, training, sponsored research payroll corrections, the Time and Effort System, and relevant rules and procedures. The review period was from July 1, 2009 through September 15, 2010. Fieldwork was conducted from July through September 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Effort Charged with No Benefit to Sponsored Research

Observation

Ten percent (3 of 30) of employees tested who certified 100% effort within one month to sponsored research performed activities during that month with no benefit to the research. In a separate test, twenty percent (3 of 15) of employees tested, who charged 100% of their effort to sponsored research during a six-month period, spent time on activities during that period with no benefit to the research. These activities included writing proposals, serving on committees, and preparing for classes.

Currently, employees funded solely by sponsored research do not have departmental funding for effort expended on activities such as writing proposals for future unrelated sponsored projects. These individuals must, therefore, certify all of their effort to their sponsored research projects. Some individuals believed they could participate in these activities outside of their regular job duties and it would not need to be tracked in their effort reporting or that it did not matter if the effort expended on these activities was charged to their sponsored research. However, the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Higher Education, which requires certification of labor effort/activity contributed by employees on federal awards does not allow these types of activities to be charged to sponsored projects. OMB Circular A-21 establishes that only employee activities directly benefiting federally-sponsored research projects are allowed to be charged to such projects.

The University has not monitored employees who charge significant levels of effort to sponsored research. Therefore, the University has an increased risk that unallowable activities will be reported in the Time and Effort System which can result in unallowable costs and penalties.

Recommendation

Develop procedures to ensure that non-sponsored research activities are not charged to sponsored projects. Conduct additional monitoring of those employees who charge significant effort to sponsored research projects.
Management’s Response

1. Effort Charged with No Benefit to Sponsored Research (cont.)

Research Services will continue to develop and refine procedures to ensure that non-sponsored research activities are not charged to sponsored projects and to monitor employees who charge significant effort. Research Services is currently in the process of providing input to the System to enhance reports generated by the Time and Effort Reporting Information System. These enhancements will allow the central administrators, departmental administrators, department heads and deans to monitor effort reports ensuring that all applicable faculty and staff are in compliance with the University’s Time and Effort Reporting rule. Additionally, this process will notify the next responsible level of authority for noncompliance. In the coming year, the Division of Research and Graduate Studies will work with other University offices to review and analyze college and departmental procedures in an effort to develop a budgeting standard administrative procedure that will provide guidance when charging time and effort to federal projects. The target date for the completion of the Research Services monitoring report enhancements, associated procedures and implementation is September 30, 2011. The target date for the completion of the budgeting review and procedure is December 31, 2011.

2. Effort Certifications

Observation

Ninety-one percent (1576 of 1740) of effort certifications for the January-June 2010 reporting period were completed as of late September 2010. For the July-December 2009 reporting period, eighty-eight percent (1591 of 1814) of effort certifications were completed as of late September 2010. This was the first reporting period in which the University required the certification of effort through the use of the new Time and Effort System.

The implementation of the Time and Effort System was delayed from its original fall 2008 implementation goal due to late involvement of faculty in the design of the System. As a result, the University is not in full compliance with the Office of Management and Budget (OMB) Circular A-21 which requires certification of employee activity.

Recommendation

Complete the remaining effort certifications for the January-June 2010 and July-December 2009 reporting periods. Develop and
2. Effort Certifications
   (cont.)
   Implement follow-up procedures to ensure all uncertified effort documents are completed for future reporting periods.

Management’s Response

Research Services continues to work towards 100% certification and will implement a certification timeline for the spring 2011 reporting period with a target date of August 31, 2011. To date 97% of the fall 2009 reports have been certified and 96% of the spring 2010 reports are certified. Research Services continues to make good progress towards one hundred percent certification of effort for the January-June 2010 and July-December 2009 reporting periods.

3. Training

Observation

The University does not require principal investigators and other University employees involved in the administration or performance of sponsored research to complete user training prior to certifying their effort in the Time and Effort System.

If not trained in the proper use of the Time and Effort System, there are increased risks that employees will not accurately complete their certifications. For example, it was noted that half (15 of 30) of the certifiers in our sample did not have an understanding of the level of precision required with effort distribution. A variance of up to ±5% is allowable between the actual percentage of time worked and the time reported.

The National Science Foundation identified in its audits of effort reporting systems that required training is an element of an effective oversight program. In addition, the Federal Sentencing Guidelines for Organizations encourage the development of effective programs to prevent and detect noncompliance including the communication of standards and procedures by requiring participation in training programs. Initially, due to ‘bugs’ in the new system, University Research Services felt that the ‘bugs’ could be frustrating to employees and did not require training on the Time and Effort System until the ‘bugs’ were resolved.

Recommendation

Require training for all employees prior to use of the Time and Effort System. In addition, as an element of an effective oversight program, require periodic training for all employees who continue to use the Time and Effort System.
3. Training (cont.)

Management’s Response

Research Services will work to implement required, recurring training via the SSO TrainTraq portal, prior to an employee confirming or certifying effort. Training will be mandated for all employees with an effort reporting role to include deans, department heads, central and departmental administrators, certifiers (self and employee supervisor) and confirmers. Employees will not be permitted to enter the Time and Effort system without completing their required training course. To ensure an effective oversight program, training for employees who continue to use the Time and Effort System will be required every three years. We estimate full implementation by August 31, 2011.

4. Payroll Corrections

Observation

Fifty percent (5 of 10) of one sample of payroll corrections made ninety days or more after the original transactions lacked clear, specific, and detailed explanations for the request. Also, University Research Services did not have available guidelines for departments to follow for such payroll corrections.

Explanations were not being documented due to the lack of a standard form and project administrators not always documenting the information gathered. Without documentation, there may not be sufficient evidence to determine if a payroll correction was reasonable. In addition, the final approver in University Research Services may not have complete knowledge of why the correction was being made. This is particularly important for transfers made over ninety days from the original transaction. At the end of our testing, University Research Services provided a draft version of cost transfer guidelines and a standardized request form which, when implemented, should help improve the process.

University SAP 25.99.99.M0.07, Procedures For Transfer Of Payroll Costs Between University Accounts, states that an explanation for the correction is to be provided and that University Research Services will provide guidelines for these transfers. In addition, OMB Circular A-21 requires the submittal of all financial reports within 90 days after the funding period. Inappropriate cost transfers can result in disallowed costs/penalties.
**Recommendation**

4. Payroll Corrections (cont.)

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<td>Require that clear, specific, and detailed explanations be provided for payroll corrections. Finalize and implement a standard form for requesting payroll transfers to document the justification for the correction. For requests made over ninety days after the original transaction, additional information should be requested and documented.</td>
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**Management’s Response**

<table>
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<tr>
<td>Research Services will work with the other A&amp;M System grants offices to implement a standard payroll cost transfer process and standard form for requesting payroll transfers. The form will document justifications for corrections, and for requests made beyond 90 days from the date of the original transition, supplemental information will be required. We anticipate that the new form and process will be implemented by May 31, 2011.</td>
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**5. Monitoring of Supporting Payroll Detail**

**Observation**

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<td>Payroll detail at the employee level is not being monitored. Certifiers and departmental administrators are not able to monitor or review the accuracy of employee payroll transactions on a monthly basis within the Time and Effort System. The time and effort certification time period is a six-month period of time (January through June and July through December). Payroll detail by employee is downloaded each month into the Time and Effort System, but is not available for users to view until the certification period has ended. If this detail was available each month, it would assist departmental administrators and certifiers to monitor and identify needed payroll corrections earlier. This lack of monthly information increases the risk that payroll errors are not corrected timely. Also, without a timely review of payroll detail, certifications may not be complete or accurate. The National Science Foundation identified in its audits of effort reporting systems at higher education institutions that oversight and monitoring is needed to ensure that the effort reporting process conforms to federal requirements and established controls were applied consistently. In addition, the Federal Sentencing Guidelines for Organizations encourage the development of effective programs to prevent and detect noncompliance including the establishment of monitoring systems.</td>
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Recommendation

5. Monitoring of Supporting Payroll Detail (cont.)

Enhance the functionality of the Time and Effort System by providing system users the ability to view and monitor payroll detail monthly.

Management’s Response

It is anticipated that by August 31, 2011, the A&M System will complete enhancements to the Time and Effort System that will allow for a monthly view of employee effort distribution based on recommendations provided by Research Services.
BASIS OF REVIEW

Objective

Review and assess the University’s controls and processes over time and effort reporting to determine if resources are used efficiently and effectively and in compliance with applicable laws, policies, regulations and University rules. OMB Circular A-21 requires time and effort confirmations on federally sponsored projects. Some respective state or privately sponsored projects also require compliance with OMB Circular A-21.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In 2009, Texas A&M University ranked 20th nationally with $631 million in total research expenditures. Starting in 2008 to meet federal effort reporting requirements, the A&M System began to develop an online time and effort information system with the goal that all employees paid with federal and state research funds certify 100% of effort on all sponsored and non-sponsored research activity. The Time and Effort System has been in testing since fall 2009 and was recently implemented for use to certify effort for the July-December 2009 and January-June 2010 reporting periods.
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PROJECT SUMMARY

Overview

Overall, the controls established over the non-federal student financial aid at Texas A&M University generally ensure resources are used efficiently and effectively and in compliance with applicable laws and guidelines and the regulations and rules of the University except in the management of departmental scholarships. Improvements are needed in the documentation that supports scholarship award decisions. Opportunities for improvement were also noted in the Scholarship On-Line Account Review (SOLAR) database and one of the University's loan programs.

During fiscal year 2010, students at the University received approximately $107 million in non-federal student financial aid through state and institutional grants, loans and scholarships. Over 15,000 students received academic scholarship awards from the University.

Summary of Significant Results

Departmental Scholarships

The documentation and maintenance of scholarship files and records need improvement to ensure adequate support for scholarship award decisions made by departments throughout the campus. University departments and colleges awarded scholarships without required applications and documented support for recipient selection. Departments also lacked written procedures for the scholarship awarding process. Without University procedures for documenting and maintaining scholarship files at the department level, the risk is increased that the University cannot demonstrate that scholarship award decisions were made on an objective basis and met donor intent.
Summary of Management's Response

Management concurs with the observations and recommendations in this report. Monitoring processes will be implemented for scholarship management purposes.

Scope

The review of non-federal student financial aid at Texas A&M University focused on state loans, state grants, institutional loans, and scholarships. Activities related to these areas were reviewed for the period from September 1, 2009 through May 31, 2010. Audit fieldwork was conducted from June to July 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Departmental Scholarships

Observation

The documentation and maintenance of scholarship files and records need improvement to ensure adequate support for scholarship awards by departments throughout the campus. Of the thirty scholarship awards reviewed, six (20%) were missing some documentation related to the selection process, three (10%) were missing required applications, and five (17%) lacked documented support for the award selection. In addition, eleven of the seventeen (65%) departments included in the scholarship review did not have documented procedures to support their process for evaluating and selecting scholarship recipients.

The University lacks general procedures for documenting and maintaining scholarship files for scholarship award decisions made at the department level. While the Scholarships & Financial Aid office makes award decisions for many scholarships, a significant number of institutional scholarships are awarded through the academic departments and colleges. Without procedures to lead departments, the risk is increased that the University cannot demonstrate that scholarship award decisions were made on an objective basis and met donor intent and that records are not retained to support scholarship awards. The A&M System Records Retention Schedule requires that applications of students that were not selected for an award have to be maintained for the scholarship cycle plus one year. Applications and support of decisions for students awarded must be maintained for the duration the student is attending the University plus five years. Procedures for consistent documentation and records retention to support scholarship decisions would reduce risk and enhance accountability. More than 15,000 students received 23,377 departmental scholarship awards during fiscal year 2010, totaling almost $53 million from 2,927 scholarship programs.

Recommendation

Develop procedures to provide guidance for departmental scholarship award and documentation requirements throughout the
1. Departmental Scholarships (cont.)

University. Monitor to ensure that departments retain adequate documentation to support scholarship award decisions.

Management’s Response

A Scholarship Processing Manual will be developed and readily available to all departments responsible for selecting scholarship recipients. It will include best practices for awarding procedures along with required documentation processes. Additionally, an appropriate University rule or standard administrative procedure regarding scholarship awarding and records retention will be developed. After implementation of the policy and manual, Scholarships & Financial Aid will monitor for compliance through reviews of selected departments. The manual, rule or procedure, and monitoring process will be in place by May 31, 2011.

2. Scholarship Criteria

Observation

Scholarship criteria recorded in the Scholarship On-Line Account Review (SOLAR) database was not current and complete. SOLAR, developed to provide management with a summary of all available and awarded scholarship funds at the University, also contains criteria for making the scholarship awards. In 13 of 30 (43%) scholarship awards reviewed, criteria recorded in SOLAR was inconsistent with award criteria specified in the gift agreement or donor directives establishing the scholarship:

- Six scholarships had criteria in SOLAR that were different from the gift agreement.
- Four scholarships did not have criteria in SOLAR although the gift agreement had stated criteria.
- Three scholarships had criteria in SOLAR but there was not a gift agreement to support the criteria.

There is not an effective process to ensure that information on scholarship criteria recorded in SOLAR is in agreement with and supported by a current gift agreement. The Scholarships & Financial Aid office and other University departments utilize SOLAR to track and maintain information about scholarships. Without current and accurate information, the risk is increased that timely and relevant information will not be available when needed and scholarships will be awarded improperly.
Recommendation

2. Scholarship Criteria (cont.)

Establish procedures to ensure that scholarship information in the SOLAR database is in agreement with and supported by a current gift agreement or donor directives.

Management’s Response

Scholarships & Financial Aid will continue to work with staff to improve the SPARTA awarding database and SOLAR scholarship information database, to include coding queries with award criteria to reduce misinterpretation and missing criteria while awarding scholarships. We will include a thorough review of gift agreements on file and obtain any missing agreements. We will work with the Association of Former Students, the Texas A&M Foundation, and Division of Finance to ensure we receive copies of all new and updated agreements. This review will be completed by May 31, 2011.

3. Little Loans

Observation

The University offers a small dollar loan program which is inefficient. The University offers “little loans” to students for amounts up to $100. These loans must be repaid within 30 days. There were 24 “little loans” awarded during fiscal year 2010. The total amount loaned was $2,350. The low participation level of “little loans” indicates the program is rarely utilized by the student body. With the availability of other short-term student loans at the University, the “little loan” program does not appear to be a needed program.

Recommendation

Evaluate the cost and benefits of offering “little loans” to students, and consider eliminating the “little loan” program or combining it with the short-term loan program.

Management’s Response

The “little loans” program will be phased out by November 30, 2010.
BASIS OF REVIEW

Objective

The objective of the audit was to review and evaluate the financial and management controls over the University’s student financial aid system for non-federal financial aid to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M University Rules, Texas Higher Education Coordinating Board Rules, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Students at Texas A&M University received approximately $448 million in federal and non-federal financial assistance through scholarships, grants, loans, waivers, work-study, and on-campus student employment. Approximately 38,000 students (79%) received some form of federal and/or non-federal financial assistance. During fiscal year 2010, students received approximately $107 million in non-federal student financial aid. Federal financial aid programs at the University are reviewed annually by the State Auditor’s Office as part of the State of Texas Single Audit.
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PROJECT SUMMARY

Overview

Overall, the controls established over Athletic Department operations at Texas A&M University – Kingsville are effective in providing reasonable assurance resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules except in the area of cash receipts. Significant improvements are needed in the Department’s cash receipting procedures. Opportunities for improvement were also identified in the areas of sports camp administration and the affiliation agreement with the Javelina Club.

The Athletic Department at Texas A&M University - Kingsville currently has six men's and six women’s sports programs. For fiscal year 2009, the Athletic Department had revenues of $4.23 million and expenditures of $4.06 million.

Summary of Significant Results

Athletic Department Cash Receipts

The Athletic Department’s controls over cash receipts are weak. Football game day cash receipting procedures were not consistently followed resulting in incomplete information being recorded on the University’s cashier ticket balance sheets, making an accurate reconciliation of these revenues difficult. High exception rates were noted in our testing of cash receipts. In addition, documentation was lacking for cashier receipt of starting cash, which added to the difficulty to accurately reconcile these revenues. The University does not have the ability to accept credit card transactions onsite at football games, increasing the amount of cash that needs to be processed. This increases the risk associated with the large volumes of cash, on average $15,000, taken in at each home football game. Weak controls over cash receipting increases the risk of misappropriation of funds.
Summary of Management’s Response

Texas A&M University-Kingsville and the Athletic Department are committed to the most efficient and effective use of technology and systems in cash, cash receipting, sports camps and ticket reconciliation, and financial administration. The University and the Athletic Department are employing assertive process steps to become more efficient in these areas.

In an effort to ensure that all Athletic personnel understand University and Department policies and procedures, monthly Athletic Department meetings will continue to reinforce procurement card purchases, cash receipts, travel and purchase vouchers, and sports camp administration. Implemented - September 2010.

The Athletic Department standard operating procedures manual was updated April 2010 and includes recent post-audit updates. The standard operating procedure manual will be updated as needed. Implemented - November 2010.

Regular meetings between Athletic administration and the Business Office staff promote consistent communication to ensure that University resources are used efficiently and effectively and in compliance with existing policies, guidelines, and regulations. Implemented - September 2010.

Scope

The review of the Athletic Department focused on the areas of procurement card purchases, cash receipts, travel and purchase vouchers, sports camp administration, sources of funding, and relationships with affiliation fund raising organizations. Transactions and activities related to these areas were reviewed primarily for the period from September 2009 through June 2010. The audit fieldwork was primarily conducted in June 2010.
# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Athletic Department Cash Receipts  

**Observation**

Cash receipting procedures are not being followed on a consistent basis. For a sample of Athletic Department cash receipts tested, we noted the following:

- Thirty-eight percent (three of eight deposits) contained individual cashier balance sheets which did not record net sales or the net sales did not agree to our recalculation.

- Twenty-five percent (two of eight deposits) contained individual cashier balance sheets for which we were unable to recalculate and agree gross cash remitted.

- Sixty-three percent (five of eight deposits) contained individual cashier balance sheets for which we were unable to agree net sales to net cash remitted.

- Seventy-one percent (five of seven deposits) contained individual cashier balance sheets which lacked proper documentation of cashier receipt of starting cash or verification of net sales and net cash.

- Fifty percent (one of two deposits) contained a sundry receipt which did not include enough information to determine the chain of custody for miscellaneous revenue.

- One hundred percent (six of six deposits) lacked documentation to show that the deposit was verified by the administrative assistant.

System Regulation 21.01.02 requires a chain of custody to be established when funds are transferred between individuals. Departmental procedures require the departmental administrative assistant to verify game cash receipt information is correct and recorded accurately.

Also, the Athletic Department does not have the ability to accept credit card transactions onsite at football games. This increases the risk associated with the large volumes of cash, on average $15,000,
take in at each home football game. Weak controls over cash receipting increases the risk of misappropriation of funds.

Only recently have documented cash receipting procedures been established, but staff training of the procedures has not taken place. On a related note, fall 2009 was the first time the Athletic Department used University Ticket, a software application, to manage their football ticket sales, and the staff was not fully trained on the use of the new software. Thus, Athletic Department staff did not fully utilize the benefits of the software.

**Recommendation**

Strengthen controls by adhering to established University cash receipting procedures and, as appropriate, provide staff training regarding the use of the University Ticket software application, proper cash handling procedures, and documentation of the chain of custody.

Document each person's role in receiving, counting, and verifying cash collected in order that an accurate chain of custody can be established.

Consider implementing the ability to accept credit card transactions at ticket gates in order to reduce the volume of cash handled on football game days. Document the verification of deposits for football game day ticket sales, ensuring that all supporting documentation is complete and accurate.

**Management's Response**

The Texas A&M University-Kingsville Business Office (April 2010) conducted a training session for all Athletic Department staff members in the areas of procurement card purchases, cash receipting, travel documentation, and general receipts. In addition, the Athletic Department implemented and scheduled bi-annual departmental meetings with the Business Office to occur once each semester. Implemented in November 2010 and will be implemented in March 2011.

In the months of August, September and October, 2010, the Director of Athletics conducted multiple meetings with Athletic Department staff members to train, emphasize and underscore the importance of following the cash receipting procedures.

Two administrative staff signatures are required to preserve chain of custody involving cash receipts. Daily balance sheets must be prepared by each cashier, reconciling cash to receipts and
1. Athletic Department Cash Receipts (cont.)

accounting for overages and shortages. The completed balance sheet shall be verified by someone other than the cashiers. Two staff signatures (ticket manager and administrative assistant or department designee) are required to validate the accuracy of the information. The balance sheet shall be prepared in triplicate. One copy remains with the department. The original is locked in the bag, to be presented to the Business Office cashier together with the locked bag. The Business Office cashier will provide a copy of the validated balance sheet. Implemented - September 2010.

University Tickets conducted an on-site two-day training session for the members of the Athletic Department and Business Office staff outlining all available software applications in August 2010. In addition, the Department has the ability to implement the practice of utilizing ticket scanners to assist in the reconciliation process. Implemented - September 2010.

The Athletic Department now has the ability through the use of a wireless credit card terminal to accept credit card transactions (onsite/offsite) for all home athletic events. This will help decrease the risk associated with large volumes of cash. Implemented - October 2010.

The ticket manager and the Business Office conduct regularly scheduled meetings following athletic contests in an effort to expedite the ticket reconciliation process. Implemented - September 2010.

2. Sports Camp Financial Administration

Observation

Sports camp financial administration needs to be improved. Sports camp financial administration requires improvement. Processes should be strengthened to:

- Perform reconciliations of camp participants to camp revenues deposited in the bank.

- Provide a full and true accounting of camp revenues and expenses, including procedures to book transactions in the appropriate fiscal year.

- Capture discount information if camp participants pay in advance or attend camp on scholarship.

While camps are viewed by the Athletic Department as important for recruiting and as a source of summer salary funding for coaches,
emphasis was not placed on administrative aspects of camps. Camp Pros, a new vendor used to register camp participants, did not allow additional participants that registered offline to be entered into the system once camps began. Additionally, administrative staff were unable to enter different registration fee amounts into the Camp Pros software used to maintain camp participants' registration information.

The NCAA Constitution requires intercollegiate athletics programs to be administered with prudent management and fiscal practices. The lack of good business practices over camp revenues and other financial activities increases the University's risk that the funds may be misused or misappropriated.

**Recommendation**

- Develop and implement more comprehensive revenue and accounting controls for sports camp administration including reconciliations of camp participants to camp revenues deposited in the bank, a full and true accounting of camp revenues and expenditures, and capturing discount information if camp participants pay in advance or attend camp on scholarship.

**Management’s Response**

- The Department of Athletics has begun implementing many corrective measures and will continue to improve, monitor, and update its processes and procedures to meet all NCAA, Texas A&M System, and Texas A&M University-Kingsville policies and procedures.

  Camp Pros has made adjustments to allow registration entries subsequent to camp start dates. Implemented - September 2010.

- The Athletic Department is currently in the process of implementing new camp accounting procedures in effort to provide a full and true accounting of camp revenues and expenses, including procedures to book transactions in the appropriate fiscal year. Implemented - May 2011.

- The Athletic Department has the ability through the use of a wireless credit card terminal to accept on-site credit card transactions the day of camp registration. Implemented - September 2010.

- Discount information will be captured for future camp participants through the Camp Pros system to help reconcile each camp between FAMIS and Camp Pros and all discounts will continue to comply with current NCAA bylaws. In addition, we will ensure that
2. Sports Camp Financial Administration (cont.)

the athletics compliance officer is appropriately engaged in the camp administration process with documented oversight. Implement in May 2011.

The administrative assistant and the Business Office will conduct regularly scheduled meetings after each camp to reconcile the revenues and expenses between Camp Pros, FAMIS, and hard copy paperwork for each camp. Implement in May 2011.

3. Affiliation Agreement

Observation

A current affiliation agreement is not in place with the Javelina Club. The Javelina Club is a colloquialism for the Texas A&I University Booster Club (registration date, 4/27/1982). The University signed an affiliation agreement with the Javelina Booster Club June 7, 2004, and the effective dates of this agreement continued in force for a period of five (5) years (i.e. June 1, 2009). As a result of legislative and legal issues surrounding the University's past and current names, the University requested the assistance of the Texas A&M University System Office of General Counsel. General Counsel advised the University to change the name of the booster club prior to securing a new affiliation agreement. Both processes are underway. The Javelina Club is a shared service fundraising organization that uses the University's administrative services, such as accounting, to manage their funds.

A&M System Regulation 60.01.01 requires affiliations with fund raising organizations to be documented in an affiliation agreement.

Recommendation

Establish a new affiliation agreement with the Javelina Club.

Management’s Response

We are in the final stages of completing the necessary steps of the affiliation agreement and the name change of the former Texas A&I University Booster Club to the Javelina Club. The Javelina Club will continue to be a shared service fundraising organization that utilizes the University’s administrative services. The affiliation agreement was sent November 2010 and is being reviewed by the System Office of General Counsel. Implementation to be completed by May 31, 2011.
BASIS OF REVIEW

Objective

The objective of the review was to evaluate the financial and management controls over the University’s athletics program to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Texas A&M University - Kingsville is a member of the National Collegiate Athletics Association and competes at the Division II level. In fiscal year 2010, the University sponsored twelve varsity sports. The sports are:

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<tr>
<th>Men’s</th>
<th>Women’s</th>
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<tr>
<td>Football</td>
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<td>Cross Country</td>
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<td>Basketball</td>
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<td>Baseball</td>
<td>Softball</td>
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<td>Track and Field</td>
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<tr>
<td></td>
<td>Golf*</td>
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*January 2010 - Hired a women’s golf coach and began recruiting student-athletes. Women’s golf begins competition in fiscal year 2011 becoming the University’s thirteenth varsity sport.
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PROJECT SUMMARY

Overview

Prairie View A&M University continues to need improvements in its NCAA rules compliance program. This year’s audit, along with past years’ audits, identified weaknesses in the University’s rules compliance program. A follow-up audit of prior 2007, 2008, and 2009 NCAA rules compliance audits concluded that three of ten prior audit recommendations have not been sufficiently implemented. This year’s audit identified weaknesses in the areas of student financial aid for walk-on athletes, monitoring of student-athlete employment, and documented procedures for the processing of athletic student financial aid.

While the University has hired additional compliance personnel in the past, it has also experienced significant turnover in this area in the past year. A new director of athletic compliance was recently hired, and the University is currently attempting to hire an assistant director. Continued emphasis for athletic department coaches and other personnel to comply with all University procedures related to NCAA rules compliance and an effective, fully staffed rules compliance program are needed in order for the University to demonstrate institutional control over its athletic program and to better manage the risks related to possible NCAA violations and sanctions.

Summary of Management’s Response

Management appreciates the System Internal Audit Department’s efforts to identify issues needing improvement and steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.
Scope

This review was performed to fulfill the NCAA requirements that each Division I member have its rules compliance program evaluated at least every four years by an authority outside the Athletic Department. Compliance areas are reviewed on a four-year rotating basis for Prairie View A&M University. This review focused on the compliance areas of financial aid administration, student-athlete employment, and coaching staff limits and contracts. The audit period focused primarily on activities from September 2009 through July 2010, although some activities outside this time period were examined as necessary. Fieldwork was primarily conducted from May to July 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Financial Aid Award Statement

Observation

Athletic financial aid for one walk-on athlete was not properly awarded using a written financial aid award statement.

Athletic financial aid for one of 25 student-athletes tested for the 2009-2010 academic year was not awarded through the University’s financial aid office by executing a written statement as required by NCAA rules. This award was provided to a walk-on student-athlete directly by the Athletic Department with unused athletic scholarship funds. NCAA Bylaw 15.3.2.3 requires that a written statement of the amount, duration, conditions and terms of the award be prepared and approved by the University’s official financial aid authority and given to the award recipient. Without properly executing a written statement for all athletic financial aid there is a greater risk that the University may not be in compliance with other NCAA rules in this area such as eligibility of the student-athlete and maximum limits on financial aid. The award for the walk-on student-athlete noted above was properly included within required athletic headcount and equivalency calculations so no additional issues of noncompliance were noted related to these compliance areas. The University does not have a formal procedure in place for awarding athletic financial aid to walk-on student-athletes in these situations.

Recommendation

Develop a written procedure for awarding financial aid to walk-on student-athletes which includes preparing a written financial aid award statement as required by NCAA rules. Ensure that the statement is approved by the University’s official financial aid authority and provided to the student-athlete. Review financial aid awards provided to other walk-on student-athletes during the 2009-2010 academic year for similar issues of noncompliance. Report any corresponding violations of NCAA rules resulting from this issue as required.

Management’s Response

We agree with your recommendations and we are implementing a formal process for awarding walk-on student-athletes financial aid.
1. Financial Aid Award Statement (cont.)

The Athletic Compliance management and Student Financial Aid Office will develop a process to ensure walk-on student-athlete financial aid is in compliance with NCAA rules.

The Athletic and Financial Aid management will update their procedures for awarding financial aid to walk-on student-athletes. In addition, this process will consist of a checklist to ensure the financial statements are verified and approved by the University. The offices will review the awards for the 2009-2010 academic years for issues of noncompliance and report any corresponding violations of NCAA rules resulting from this issue as required.

This process will be implemented by February 28, 2011.

2. Student-Athlete Employment

Observation

Monitoring of student-athlete employment is not adequate to oversee compliance in this area.

Although no compliance issues were noted during testing of student-athlete employment, the process for monitoring this area requires improvement to better ensure student-athlete employment remains in compliance. Student-athletes are required to complete employment forms in order to provide the Athletic Compliance staff with the necessary information to monitor their employment. There were a total of seven student-athletes who completed this form during the 2009 – 2010 academic year. Five of these forms were tested and all were found to be missing various employment information including student contact data, employer contact data, and employment arrangements. In addition, for one of the five employment forms tested, the student-athlete had changed jobs but did not complete a new employment form. We also noted 18 student-athletes employed at the University without an employment form on file indicating that not all student-athletes are completing these forms as required.

No procedures or other guidance is provided to employers to educate them on University requirements or NCAA rules related to student-athlete employment. In addition, there are only minimal employment procedures available for student-athletes such as the need to complete the employment forms and update them if their employment changes. Without adequate processes for monitoring student-athlete employment there is a greater risk of noncompliance with NCAA rules which could result in NCAA penalties and damage to the University’s reputation.
Recommendation

2. Student-Athlete Employment (cont.)

Review completed student-athlete employment forms to ensure they include all necessary information needed for monitoring this area. Ensure all required parties sign these forms as documentation of their review. Increase monitoring efforts as needed such as by periodically contacting the student-athlete and/or employer to ensure NCAA rules are being followed and the employment information is accurate and up-to-date. Provide guidance to employers such as a memo or letter containing University requirements and NCAA legislation related to student-athlete employment. Expand existing employment procedures in the student-athlete handbook including the need to complete the employment form and submit a new one if employment conditions change.

Management’s Response

We agree with your recommendations and we are implementing a formal process to ensure compliance with University and NCAA rules related to student-athlete employment.

The Athletic management has revised the student-athlete employment form to ensure all necessary information is captured for monitoring student-athlete employment. This process will consist of a periodic review each semester in November, March, and June. Monitoring efforts will be increased as needed and guidance will be provided to employers regarding University requirements and NCAA legislation related to student-athlete employment. In addition, the existing procedures in the student-athlete handbook will be updated to include the need to complete and submit a new form if conditions change.

This process will be implemented by February 28, 2011.

3. Athletic Financial Aid Procedures

Observation

Processes within the Financial Aid Office for overseeing and awarding financial aid to student-athletes require further documentation to better ensure they are consistently followed and compliance with related NCAA rules is maintained. The documentation of these processes is particularly important in the event of turnover of key personnel in this area. The Financial Aid Office is currently working to complete written procedures related to its administration of athletic financial aid.
Recommendation

3. Athletic Financial Aid Procedures (cont.)

Complete current efforts to develop written procedures within the Financial Aid Office for overseeing and awarding student-athlete financial aid.

Management’s Response

We agree with your recommendations and we will further enhance the oversight and awarding of student-athlete financial aid.

The Athletic management in conjunction with the Financial Aid Office will complete the current efforts of developing written procedures within the Financial Aid Office for oversight and awarding student-athlete financial aid.

This process will be implemented by February 28, 2011.
BASIS OF REVIEW

Objective

The objective of this review was to review and assess, as required by the NCAA, the adequacy of the University’s NCAA rules compliance program for selected compliance areas.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the 2009-10 National Collegiate Athletic Association Division I Manual; the University’s Athletics Compliance Manual; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Prairie View A&M University participates in intercollegiate athletic competition as a Division I member of the NCAA Football Championship Subdivision. In fiscal year 2010, the University’s athletics program consisted of 18 intercollegiate athletic sports, representing approximately 350 student-athletes of which over 80 received athletic financial aid.

They included:
The Athletics Department is supported by student athletics fees and supplemental transfers from the University, in addition to revenues generated by the program, such as ticket sales, other sales and services, gifts, and game guarantees. The Athletics Department budget for fiscal year 2010 was approximately $5.5 million.
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PROJECT SUMMARY

Overview

Overall, the enterprise risk management (ERM) processes at Tarleton State University provide reasonable assurance that significant events that could adversely affect the accomplishment of key goals have been identified, evaluated appropriately and assigned effective mitigating and monitoring activities. While the ERM concept is supported by executive management, the process could be further developed through enhanced training for University employees included in the ERM process and communication of the effectiveness of ERM activities between those responsible for implementation of mitigating and monitoring activities and the ERM coordinator. In addition, a formal reporting mechanism detailing effectiveness of the overall ERM process to both executive management and ERM participants has not been established.

Summary of Significant Results

Information and Communication

Thorough training of ERM concepts and processes for employees involved with the activity has been limited. While high-level training has allowed a functional ERM process to be developed, employees interviewed that are involved in the ERM process did not have clear understandings of ERM terms and activities as they relate to the University.

In addition, direct communication between employees responsible for mitigating and monitoring activities and the ERM coordinator has not been established. Without this communication it is difficult to ascertain whether mitigating and monitoring activities are performing as intended.

Reporting Process

A formalized reporting process detailing the functionality of the ERM activity has not been established. The reporting process should include both executive management and those directly
involved in ERM to provide insight on both successful aspects of the activity as well as areas needing improvement.

Summary of Management’s Response

Tarleton State University’s future plan includes the continued involvement of many organizational units throughout and to provide orientation at the macro and micro levels to ensure comprehensive coverage in identifying major risks to the institution.

Scope

The review of enterprise risk management processes focused on the components of enterprise risk management as defined by the Committee of Sponsoring Organization of the Treadway Commission (COSO). These components include identifying risks to the organization, assessment of the likelihood and impact of the identified risks, establishing mitigating activities to appropriately manage risks, monitoring of mitigation activities to ensure they are functioning as intended, and reporting to various levels of management on the overall effectiveness of the ERM program. Activities and documentation related to these components were reviewed in correlation to the University enterprise risk management matrix as of May 2009. Audit fieldwork was conducted from May to July 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Information and Communication

Observation

Comprehensive training for employees involved in the ERM process has been limited across the University, particularly for employees responsible for implementing and managing the mitigation and monitoring activities. Interviews revealed that the staff included in the ERM process do not have a clear understanding of terms associated with ERM or the process developed by management. High-level guidance was provided to executive administration which allowed them to adequately participate in ERM activities.

Direct communication between employees responsible for risk mitigation and monitoring activities and the ERM coordinator regarding the effectiveness of those activities has not been established. While risks and risk response activities may be discussed informally by management, a high level of confidence cannot be obtained that the ERM process is effective without formally monitoring risk mitigation activities to determine that they are functioning as intended.

For communication to be most effective, relevant information must be shared vertically and horizontally across the University to enable people to carry out their ERM responsibilities. Inadequate training and communication could result in unidentified or poorly managed risks.

Recommendation

Provide training to University management included in the ERM process to enhance knowledge of and develop support for the process.

Establish direct communication between the ERM coordinator and those responsible for mitigating and monitoring activities. Ensure sufficient evidence is shared among the parties to verify activities addressing risks are implemented and functioning as intended.
Management’s Response

1. Information and Communication (cont.)

Tarleton’s Office of Risk Management and Safety will develop and deploy an appropriate training program to provide a general understanding of ERM and the procedures to be followed at the University to ensure that proper risk identification, monitoring, and reporting tasks are being followed. The training will be developed and provided to all applicable personnel by March 31, 2011. The Office of Risk Management and Safety will request a review from each organizational unit to determine if additional personnel or new employees should receive the applicable training. It will be the responsibility of each vice president to ensure that the applicable individuals have received the required training.

In addition to the training opportunity, all applicable personnel will be directed to communicate the results of mitigation activities related to the ERM process with the ERM Coordinator. Those issues will then be passed on to the relevant vice president and/or the Executive Leadership Cabinet as appropriate. Routine communication will occur throughout the year to ensure appropriate monitoring and reporting.

2. Reporting Process

Observation

A formal reporting process has not been established regarding the effectiveness of the ERM activity.

A formal reporting process has not been developed to ensure University executive management, including the president, is informed on a regular basis of the effectiveness of the overall ERM program. While points of contact have been established for identified risks and mitigating and monitoring activities, the need for a structured reporting process to share information was overlooked. A regular reporting process would help ensure mitigating and monitoring activities are addressing risks that could impede achievement of the University’s strategic plan, goals, and objectives. Sharing this information further with those directly involved in the ERM process outside of executive management would promote support as participants could see how they are aiding in the success of the program.

According to the COSO ERM Integrated Framework, the entirety of enterprise risk management is to be monitored and modifications made as necessary. This can be accomplished through ongoing management activities, such as reporting.
Recommendation

2. Reporting Process (cont.)

| Develop a formalized report and reporting structure to ensure University executive management, including the president, is kept apprised of the effectiveness of the overall ERM process. Distribute report information to those outside of executive management who directly participate in the ERM process as well. |

Management’s Response

| Tarleton’s Office of Risk Management and Safety will prepare an annual report that will be reviewed by the Executive Cabinet, including the University president, each May. The final report will be distributed to those individuals that have been identified as being directly involved with the ERM process and reporting activities will be published on Tarleton’s Office of Risk Management and Safety webpage. The webpage will provide additional information regarding Tarleton’s ERM Program with tools to assist the campus community in gaining a better understanding of the process. The webpage will be completed by March 31, 2011. |
BASIS OF REVIEW

Objective

The overall objective was to determine if the key elements of the University’s enterprise risk management processes are designed to identify and mitigate risks through the use of a systematic, organization-wide approach.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Treadway Commission’s Committee of Sponsoring Organization’s Enterprise Risk Management – Integrated Framework, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Risk Management and Safety Department has been responsible for facilitating enterprise risk management activities at Tarleton State University since 2007. Prior to that, responsibilities for ERM resided in the Office of the President. Development of the initial University ERM Risk Matrix occurred in 2005. Reassessments of identified risks and mitigating and monitoring activities are performed on an annual basis.
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PROJECT SUMMARY

Overall, the financial services’ processes at the Texas A&M Health Science Center (HSC) provide reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with relevant policies, regulations and HSC rules. However, needed improvements in compliance were noted in the timeliness of bank reconciliations and travel voucher documentation.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Bank Reconciliations

Observation

Bank reconciliations are not always performed or reviewed in a timely manner.

The HSC’s financial processes do not ensure bank reconciliations are performed, reviewed or that outstanding reconciling items are cleared in a timely manner. For a sample of bank reconciliations tested, we noted the following:

- Twelve percent (7 out of 60) of the bank reconciliations tested were not performed within 40 days of the bank statement date.
- Twenty percent (12 out of 60) of the bank reconciliations tested were not reviewed within 70 days of the bank statement date.
- For 41% (19 out of 46) of the bank reconciliations reviewed, reconciling items were not cleared within 90 days of the transaction date.

Performing and reviewing bank reconciliations, and clearing reconciling items in the above timeframes are generally not the primary focus of individuals responsible for these tasks. These are performed by individuals who are responsible for other accounting duties. Performing and reviewing bank reconciliations and clearing reconciling items in an untimely manner reduces the
effectiveness of the reconciliation as an internal control and increases the risk of impropriety.

**Recommendation**

Ensure reconciliations are performed and reviewed in a timely manner. In addition, ensure that reconciling items are cleared more timely.

**Management’s Response**

The importance of timely bank reconciliations, review of reconciliations, and correction of outstanding items has been communicated to all staff involved. Priorities have been adjusted to ensure reconciliations are a primary focus of individuals responsible for these tasks. Additionally, processes have been implemented to more quickly correct reconciliation items, including follow up on deposits within the month the deposit occurs, and escalation to supervisors and upper management when reconciliation items are not corrected timely. Reconciliation preparers, reviewers, and their supervisors are now more attentive and persistent in getting reconciliations completed and items corrected.

Target date for implementation: August 31, 2010.

2. Travel Vouchers

**Observation**

Opportunities for improvement exist to strengthen controls over travel vouchers to improve compliance with HSC procedures. Seventeen percent (5 out of 30) of the travel vouchers reviewed did not have proper documentation in accordance with HSC procedures. For one of the two state-funded foreign trips reviewed, there was no evidence of approval by the Board of Regents, the Chancellor or the President, as required by Texas Government Code 660.024, A&M System Regulation 21.01.03, Section 7.4 and HSC Rule 25.02.01.Z2, Section 1.1. This elevates the risk of noncompliance with state, A&M System and HSC requirements.

HSC travel voucher procedures do not ensure transactions are coded appropriately. Seventeen percent (5 out of 30) of the travel vouchers tested were not coded to the appropriate account or object code. This elevates the risk of inaccurate reporting which, in turn, increases the risk of inaccurate management decisions.
These compliance issues suggest that the HSC Finance and Administration’s compliance monitoring for this area could be improved.

**Recommendation**

Improve monitoring procedures to ensure that travel vouchers are adequately supported, receive required approvals, and are appropriately coded.

**Management’s Response**

The significance of compliance regarding travel voucher documentation, required approvals, and coding has been communicated to the travel voucher auditors. The accounts payable and travel audit areas meet regularly and discuss compliance requirements and coding consistency issues. In addition, processes for regular post payment auditing have been established to better monitor compliance and consistency issues.

Target date for implementation: August 31, 2010.

**BASIS OF REVIEW**

**Objective and Scope**

The overall objective was to evaluate the financial and management controls over the HSC’s financial management services’ operations to determine if resources are used efficiently and effectively, assets are safeguarded, and compliance is achieved with applicable laws, policies, regulations, and HSC rules. The review focused on accounts payable, accounts receivable, banking, payroll, performance measures, purchasing, and revenue management for the period of September 1, 2008 to March 31, 2010. The fieldwork was conducted from May to July 2010.

**Criteria**

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M Health Science Center Rules, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”
Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The financial services function is decentralized between Financial Services, Student Business Services, and the components’ Primary Business Officers (PBOs). Financial Services has approximately a staff of 32 with an annual budget of approximately $2.5 million. Student Business Services has approximately a staff of three with an annual budget of approximately $150,000. Financial Services, reporting to the Vice President for Finance and Administration, is responsible for accounts payable, reconciliations, accounts receivable, grants management, financial reporting, payroll, purchasing, contracts and budgets, and property management. Student Business Services is responsible for student tuition and fee assessment, student refunds, and student payments. The PBOs, reporting to their respective Deans, are responsible for coordinating financial activities at the component level.
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PROJECT SUMMARY

Texas A&M University Aviation Services has financial and management controls in place to provide reasonable assurance that resources are used efficiently and effectively and in compliance with applicable laws, policies, regulations, and University rules. Some improvements are needed to the current process for securing customer credit card data received for parking at the McKenzie terminal of Easterwood airport in compliance with the Payment Card Industry’s (PCI) Data Security Standards.

Aviation Services operates the Easterwood Airport and is an auxiliary operation of Texas A&M University. The Airport has two terminals – the McKenzie Terminal is a public passenger facility and the General Aviation Terminal provides aviation services to private, charter, and military aircraft.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Credit Card Data Security

Observation

An external vendor provides the software used to process customer credit card payments for parking at the McKenzie terminal of Easterwood airport. This software stores the customer’s primary account number and expiration date until it is manually deleted. As a result, there are certain additional compliance requirements in the PCI Data Security Standards to ensure the stored cardholder data is properly safeguarded. Systems storing cardholder data require annual completion of the PCI Self Assessment Questionnaire (SAQ) D which is the most extensive of all PCI questionnaires. Aviation Services completed PCI SAQ C which does not cover all aspects of security for this type of system. The department was unaware that confidential cardholder information was being stored when completing the SAQ for this system. Although selected logical security controls reviewed were determined to be adequate, without completing the
correct SAQ there is a greater risk that additional PCI security requirements related to storing cardholder data are not being met.

Recommendation

Perform a detailed review of current compliance with all relevant PCI Data Security Standards for this system including completion of PCI SAQ D.

Management’s Response

Airport management will ensure compliance with PCI Data Security Standards including completion of the appropriate PCI questionnaire.

Implementation Date: November 30, 2010

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review and assess the financial and management controls over Aviation Services to determine if resources are used efficiently and effectively and in compliance with applicable laws, policies, regulations, and University rules. The scope of the audit included a review of operations at both the McKenzie Terminal and the General Aviation Terminal. We reviewed the policies, procedures, and processes in the areas of revenue management, credit card data security, and financial administration. The time frame for the audit was September 2009 to August 2010. Fieldwork was conducted from July to August 2010.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Texas A&M University Rules; the Payment Card Industry’s Data Security Standards; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.” Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain
sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The mission of Aviation Services is to provide a gateway to the world for the students, faculty, and staff of Texas A&M University, and the citizens of the Brazos Valley. It accomplishes this by operating two terminals at Easterwood Airport. McKenzie Terminal is a public passenger facility with two commercial airlines, American Eagle and Continental Connection, which connect to airports in Houston and Dallas-Ft. Worth. The General Aviation Terminal provides aviation services such as fuel sales and hangar rental to private, charter, and military aircraft. Various federal and state agencies regulate and inspect the Airport for compliance with laws and regulations. Aviation Services had 27 personnel and approximately $5.7 million of revenue budgeted for fiscal year 2010.

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PROJECT SUMMARY

The transportation and fleet services’ processes at the Texas AgriLife Extension Service provide reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with relevant laws, policies, regulations and Agency rules. The Agency manages a fleet of 320 vehicles. Opportunities for improvement exist in records retention and in the manner in which fuel data is collected and reported.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Records Retention

Observation

The review found that vehicle inspection, repair, and maintenance records are not being maintained for one year after the disposal of the vehicle. Fleet management has been destroying vehicle inspection, repair, and maintenance records three years after the relevant fiscal year. Vehicle maintenance records fall under record number 5.6.003 of the state and A&M System Records Retention Schedule and are required to be retained for the life of the vehicle plus one year. This elevates the risk of non-compliance with A&M System and state records retention requirements. Management was not aware that vehicle inspection repair and maintenance records were required to be retained for the life of the vehicle plus one year.

Recommendation

Improve compliance with the A&M System and state records retention requirements by maintaining vehicle inspection repair and maintenance records for one year after the disposal of the vehicle.

Management’s Response

The Agency is in the process of establishing a file structure within the Laserfiche system to maintain vehicle inspection, repair, and
The process for gathering and reporting fuel data could be more efficient.

Opportunities for efficiency improvements exist in the manner in which fuel data is captured and reported. Current processes are manual and rely on the vehicle user to record fuel purchase data on a manual form and a fleet management employee to enter the data into the state fleet management system. This elevates the risk that fuel data is not accurate and that it is not reported in an efficient and timely manner. Management has not considered an automated system. An automated fuel management system provides reliable, accurate and timely fuel and vehicle information, and eliminates the need for manual data entry.

Recommendation

Conduct a cost benefit analysis to determine if an automated fuel management system would be an efficient alternative to the current manual process. For economies of scale, such a system could be shared with Texas AgriLife Research.

Management’s Response

The Agency will be meeting with TAMU Transportation Services to explore potential cost efficiencies of other fleet systems. Analysis will be conducted to determine if purchasing an external system would benefit current processes. Target implementation date is February 28, 2011.
BASIS OF REVIEW

Objective and Scope

The overall audit objective was to review and assess the financial and management controls of the Agency’s transportation and fleet services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and Agency rules. The review of transportation and fleet services’ processes focused on state reporting, vehicle usage documentation and data retention for the period September 1, 2008 to June 30, 2010. Fieldwork was conducted from July to August, 2010.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Texas AgriLife Extension Service’s transportation and fleet services function is mostly centralized with reporting to the state’s Office of Vehicle and Fleet Management performed at Agency Headquarters in College Station. Vehicle replacement decisions are made as part of the Agency Capital Plan which is part of the Agency’s budgeting process. Transportation and fleet services manages a fleet of approximately 320 vehicles with a staff of three.
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PROJECT SUMMARY

Overall, the Texas A&M University System Offices' financial and management controls over purchasing cards are generally effective in providing assurance that resources will be used in an efficient and effective manner, and in compliance with applicable laws, policies, regulations and System Offices’ rules. However, improvements in compliance are needed in the area of documenting purchasing agreements at the time goods are ordered.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Purchase Agreements for Purchasing Card Transactions

Observation

The System Offices implemented a process to obtain prior approvals for purchasing card transactions by requiring that a limited purchase order document be prepared to ensure that documentation of the agreement is created. However, in seven of twenty-nine (24%) purchasing card transactions selected for review, a limited purchase order was not created. Also, in five of the remaining twenty-two (22.7%) purchasing card transactions, the limited purchase order was initiated after the purchase was made.

This process was implemented in response to a recommendation made in the State Comptroller’s 2009 post-payment audit. The recommendation states that the System Offices “must ensure that documentation of the agreement is created at the time the goods or services are ordered from the vendor.” At other institutions, the State Comptroller has clarified this requirement by stating that informal means can be used to document a purchase agreement with a vendor including the use of purchase logs, purchase requisitions, confirmation orders, or e-mails that state the terms of the purchase agreement.
Recommendation

Ensure that purchases made using purchasing cards include formal or informal documentation of the purchase agreement with the vendor.

Management's Response

Management appreciates the work of the System Internal Audit staff during this post-payment audit of purchasing cards at the System Offices.

We fully support Internal Audit’s recommendation that purchasing card purchases should include either formal or informal documentation of the purchase agreement with the vendor.

We will notify departments by October 31, 2010 of this procedural change for future purchasing card purchases. This notification will clarify that limited purchase order documents are no longer required, and we will request that departments continue to contact their bookkeeper when purchases will be charged. Informal documentation (such as the use of purchase logs with receipts for spot purchases) will be allowable documentation for purchasing card purchases in the future. We will formally update the Purchasing Card Guide by February 28, 2011.

BASIS OF REVIEW

Objective and Scope

The purpose of the audit was to review the financial and management controls over purchasing cards at the System Offices to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and System Offices’ rules. Purchasing card controls and transactions were reviewed for the period April 1, 2009 through March 31, 2010. Fieldwork was conducted from May to July 2010.
Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The System Offices currently has 39 purchasing cards issued in 18 departments. During the audit period there were 2,142 purchasing card transactions totaling $356,257. JP Morgan Chase is the vendor who administers the purchasing card for the State of Texas. As of June 1, 2010, much of the administrative responsibilities for the System Offices’ purchasing card program was transferred to Texas A&M University.

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PROJECT SUMMARY

Texas A&M University has processes in place to provide reasonable assurance that the Education Research Center is in compliance with state and federal laws related to the interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board (THECB), and the Texas Education Agency (TEA). The Education Research Center operated within its contractual requirements. An opportunity for improved efficiency was noted in the management of project accounts.

The Education Research Center, established in July 2007, is one of three Education Research Center's created in Texas to maintain a warehouse of student data and conduct research using this data. The Education Research Center received initial funding of $1,050,000 to establish the center.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Management of Project Accounts

Observation

The Education Research Center's management of contract and grant accounting requires numerous payroll expense corrections. Accurate payroll allocations were not established at the time project work began and substantial payroll reallocations were required to bring work efforts in agreement with payroll expenditures. Individuals began work on projects before the project accounts were established and payroll was charged to other Education Research Center accounts. When individuals begin work on projects before accounts are established, payroll expense reallocations are necessary. Necessary reallocations were not completed timely. Numerous payroll reallocations create inefficiencies in the project account management process and also increase the risk of inaccurate time and effort reporting.
Recommendation

Develop processes that ensure accounts are established before work begins and payroll reallocations are minimized. Ensure that any necessary payroll reallocations are made on a timely basis.

Management’s Response

The Education Research Center will submit proposals and requests for “interim funding” to Texas A&M University Research Services as new sponsored agreements are initiated so that sponsored project accounts can be established prior to final approval of the sponsored agreements and prior to any project work. This will allow for payroll expenses to be allocated to the sponsored project accounts on a timely basis and minimize payroll expense reallocations. Education Research Center payroll activity will be reviewed regularly and any necessary payroll reallocations will be made on a timely basis.

Target date: May 2011

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to assess the University’s compliance with all terms and state and federal laws related to the interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board, and the Texas Education Agency to establish the Education Research Center at the University. The interagency agreement with the THECB and TEA requires Texas A&M University to obtain an audit of the Education Research Center annually. The review of the Education Research Center focused on expenditures and contract compliance. Our review did not include a detailed review of data security or a penetration test as the Education Research Center had already arranged for a data security review and penetration test to be conducted by the THECB. The audit period was September 1, 2009 through August 31, 2010. Fieldwork was conducted during September 2010.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was performed in conformity with the Institute of Internal Auditors’
“International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board, and the Texas Education Agency provided the University with $1,050,000 in 2007 to create and operate a research center for a period of five years. The State of Texas Education Research Center at Texas A&M University studies major issues in education reform and school governance in order to improve policy and decision-making in P-16 education. The Education Research Center's interdisciplinary team of researchers investigates the nature and impact of school resources and educational practices that affect students' learning and close the achievement gap. In support of its mission, the Education Research Center conducts research in three areas: educator preparation; school finance, resources, and facilities; and curriculum and teaching methods.

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PROJECT SUMMARY

Overall, Texas AgriLife Research has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grant were allowable, and most other applicable THECB requirements were met. Opportunities for improvement exist in the timeliness of reporting and the Agency’s compliance with A&M System requirements regarding the Ethics in Research and Scholarship rule. The Agency received the following grant:

- Project Number 011618-0016-2007: Unraveling the mystery of Lyme disease and Southern Tick-Associated Rash Illness (STARI) in Texas, award amount $40,000.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Timeliness of Reporting

Observation

Current processes do not ensure timely reporting.

Current processes over the NHARP grants do not ensure reports are submitted in a timely manner. Two of three (67%) reports reviewed in conjunction with Project Number 011618-0016-2007 were not filed by their respective reporting deadlines. The review found that a progress report was filed 103 days late and that a final report was filed 7 days late. This is a repeat issue, having been reported in the 2008 and 2003 audit reports. This suggests that current monitoring processes require improvement.

The THECB’s grant conditions require progress reports to be submitted by March 1 each year and for final reports to be electronically filed within 30 days of the expiration of the grant.
Recommendation

Improve timeliness of reporting by enhancing current monitoring processes.

Management's Response

The lack of follow through is the result of turnover in staff. Training has been provided and will be reinforced.

Implementation date: September 1, 2010.

2. Compliance with A&M System Requirements

Observation

An opportunity for improvement exists in the Agency’s compliance with A&M System requirements. The Agency has not developed and implemented a rule to address Ethics in Research and Scholarship, as required by A&M System Regulation 15.99.03, to provide researchers with guidance on state and federal regulations. Management indicated it was not aware of this requirement.

Recommendation

Improve compliance with A&M System requirements by developing and implementing an Ethics in Research and Scholarship rule.

Management’s Response

A rule was developed and approved on August 10, 2010, and has been posted online at http://aghr.tamu.edu/rules-a/159903A1Ethics-in-Research.pdf.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the Agency’s compliance with the THECB’s regulations associated with NHARP grants. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the NHARP as criteria to determine if:
- Expenditures, including salaries, were allowable and related to grant activities.
- Budget transfers were appropriately approved.
- Required reports were filed timely.
- All other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.
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PROJECT SUMMARY

The Texas Engineering Experiment Station generally has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grants were allowable, and most other applicable THECB requirements were met. Improvement is needed in the timeliness in which reports are submitted. The Texas Engineering Experiment Station received the following grants:

- Project Number 010366-0024-2007: Bayesian Hierarchical Models for Integrating Multi-resolution Information, award amount $100,000.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Timeliness of Reporting

Observation

Current processes do not ensure reporting is performed in a timely manner. Current processes over the NHARP grants do not ensure reports are submitted in a timely manner. All (7 out of 7) reports reviewed in conjunction with Project Numbers 000512-0168-2007, 010366-0024-2007, 000512-0130-2007 and 000512-0026-2007 had not
been filed by the reporting deadlines. The untimely reporting ranged from 2 to 29 days. THECB’s grant conditions require progress reports to be submitted by March 1 or the next business day if the due date falls on a weekend. The high error rate suggests that management’s monitoring over NHARP grants requires improvement.

Recommendation

Improve compliance with NHARP grant requirements by enhancing current monitoring processes over reporting.

Management’s Response

Reminders have been placed on the calendars of the Controller, the Manager of Post-Award Administration and the Project Administrator for 30 days and 1 week prior to the March 1 deadline to contact the principal investigators (PI) about submitting the technical reports to the THECB. The Manager of Post-Award Administration monitors the final submissions and continues to contact the PI if needed to ensure that the reports are submitted by the deadline.

In addition, we requested that THECB modify their system to allow technical reports be directly routed to THECB from the PI with a copy to the Agency instead of having a routing stop at the Agency. With the last enhancement made by THECB, the Agency is not adding value to the submission of the report by the PIs.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the Agency’s compliance with the THECB’s regulations associated with NHARP grants. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the NHARP as criteria to determine if:

- Expenditures, including salaries, were allowable and related to grant activities.
- Budget transfers were appropriately approved.
- Required reports were filed timely.
• All other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.

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Ms. Lisa Akin, Director, Risk and Compliance
PROJECT SUMMARY

Texas A&M University - Commerce generally has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grants were allowable, and most other applicable THECB requirements were met. An opportunity exists to improve compliance with the A&M System’s regulation on conflict of interest. Texas A&M University - Commerce received the following grants:


OBSERVATION, RECOMMENDATION, AND RESPONSE

Compliance with A&M System Requirements

Observation

An opportunity for improvement exists in the University’s compliance with A&M System requirements. The University does not have a rule to address conflict of interest in the design, conduct and reporting of sponsored research and educational activities, in accordance with the A&M System regulation. A&M System Regulation 15.01.03 requires System members to develop and implement a conflict of interest rule to guide researchers on state and federal regulations. University management was not aware of this requirement.
Recommendation

Improve compliance with A&M System requirements by developing and implementing a conflict of interest rule.

Management's Response

We have published a University procedure which addresses conflict of interest and can be found on our rules/procedures website:

15.01.03.R1.01 Conflict of Interest in the Design, Conduct, and Reporting of Sponsored Research and Educational Activities

On September 15, 2010, we submitted University Rule 15.01.03.R1 Conflict of Interest in the Design, Conduct, and Reporting of Sponsored Research and Educational Activities to the Planning and Policy Office for review. It is still pending at this point.

Implementation Date: December 31, 2010.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the University’s compliance with the THECB’s regulations associated with NHARP awards. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the NHARP as criteria to determine if:

- Expenditures, including salaries, were allowable and related to grant activities.
- Budget transfers were appropriately approved.
- Required reports were filed timely.
- All other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University
System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.

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PROJECT SUMMARY

Texas A&M University - Corpus Christi generally has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grant were allowable, and most other applicable THECB requirements were met. An opportunity for improved compliance with A&M System requirements exists in the area of Conflict of Interest. The University received the following grant:

- Project Number 011161-0007-2007: Habitat Fragmentation in Marine Ecosystems - Impact of Habitat Loss to Marine Fishes, award amount $75,000.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Compliance with A&M System Requirements

Observation

The University has not developed and implemented a Conflict of Interest rule.

An opportunity for improvement exists in the University’s compliance with A&M System requirements. The University does not have a rule regarding Conflict of Interest in the Design, Conduct and Reporting of Sponsored Research and Educational Activities, in accordance with the A&M System regulation. A&M System Regulation 15.01.03 requires System members to develop and implement a Conflict of Interest rule to guide researchers on state and federal regulations. Management was not aware of this requirement.
Recommendation

Improve compliance with A&M System requirements by developing and implementing a Conflict of Interest rule.

Management's Response

Texas A&M University - Corpus Christi will strengthen its Conflict of Interest process on sponsored projects and research contracts by creating a Conflict of Interest rule. The rule will be complete by October 15, 2010 and will begin the process of receiving campus approvals which should be completed by November 30, 2010. It is anticipated the rule will then be sent to the System Offices in December 2010 for the additional approval processes required.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the University's compliance with the THECB's regulations associated with NHARP grants. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the NHARP as criteria to determine if:

- Expenditures, including salaries, were allowable and related to grant activities.
- Budget transfers were appropriately approved.
- Required reports were filed timely.
- All other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”
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Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.

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PROJECT SUMMARY

Texas A&M University has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grants were allowable, and all other applicable THECB requirements were met. Texas A&M University received the following grants:

- Project Number 010366-0020-2007: Identifying the Neural Circuits Controlling a Complex Behavior, award amount $150,000.
- Project Number 010366-0028-2007: The Impact of Orbital Variations of Insolation During Intervals of High Atmospheric C2, award amount $137,000.
- Project Number 010366-0087-2007: Is Water Table a “Material” Free Surface?, award amount $120,000.
- Project Number 010366-0001-2007: Subfemtosecond Laser Pulse Compression by Coherent Oscillations in Raman-active Crystals, award amount $150,000.
- Project Number 010366-0046-2007: Graded Hecke Algebras and Deformations, award amount $50,077.
- Project Number 010366-0054-2007: Applications of Algebraic Geometry to Algebraic Statistics and Geometric Modeling, award amount $68,000.
- Project Number 010366-0052-2007: Total Synthesis of Guaianolide Natural Products, award amount $150,000.
- Project Number 010366-0039-2007: Toward Matterwave Chemistry, award amount $150,000.
- Project Number 010366-0034-2007: Phosphonate Mimics of Tetrahedral Intermediates as Potent Inhibitors of Enzyme Catalyzed Reactions, award amount $150,000.
- Project Number 010366-0053-2007: Stable Isotopes of Mollusk Shells as Proxies for River Discharge and Hypoxia on the Texas Shelf, award amount $101,924.
- Project Number 010366-0017-2007: Assessment and Prediction of Coastal Erosion and Morphological Changes in the Upper Texas Gulf Coast, award amount $137,900.
- Project Number 010366-0024-2007: Bayesian Hierarchical Models for Integrating Multi-resolution Information, award amount $50,000.
BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the University’s compliance with the THECB’s regulations associated with NHARP grants. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the NHARP as criteria to determine if:

- Expenditures, including salaries, were allowable and related to grant activities.
- Budget transfers were appropriately approved.
- Required reports were filed timely.
- All other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of the A&M University System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.

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PROJECT SUMMARY

The Texas A&M Health Science Center has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions for its 2007 Norman Hackerman Advanced Research Program (NHARP) grants. Expenditures for the grants were allowable, and all other applicable Texas Higher Education Coordinating Board (THECB) requirements were met. The Texas A&M Health Science Center received the following grants:

- Project Number 000089-0035-2007: STEMIN, a Serum Response Factor Mutant Converts Fibroblasts in Stem Cells, award amount $150,000.

- Project Number 000089-0004-2007: The Molecular Mechanisms Underlying Atrial Septal Defect, award amount $75,000.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the Health Science Center’s compliance with the THECB’s regulations associated with NHARP grants. Transactions related to these grants were reviewed for the period of May 2008 to May 2010. Fieldwork was conducted from July to August 2010. The audit team used the THECB’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program as criteria to determine if:

- Expenditures, including salaries, were allowable and related to grant activities.

- Budget transfers were appropriately approved.

- Required reports were filed timely.

- All other requirements set forth in the grant conditions were met.
Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2007 Grant Conditions for the Norman Hackerman Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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Background

The Norman Hackerman Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. Originally titled the Advanced Research Program, the Program was renamed the Norman Hackerman Advanced Research Program (NHARP) in 2007 to honor the distinguished researcher and chairman of the Texas Higher Education Coordinating Board’s Advisory Committee on Research Programs (ACORP), Dr. Norman Hackerman. The program is administered by the Texas Higher Education Coordinating Board.
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