PROJECT SUMMARY

Overview

Overall, Prairie View A&M University has processes and controls in place to provide reasonable assurance that financial management services operations are performed effectively and efficiently and in compliance with laws, policies, regulations and rules. Opportunities for improvement exist in the areas of payroll, contract administration, and reconciliations.

The Office of Business Affairs provides a wide range of support including accounting, budgeting, fixed asset, payroll, procurement card, purchasing, reconciliation, travel, and treasury services.

Summary of Management’s Response

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

Scope

The review of financial and management controls within the University’s Office of Business Affairs focused on the areas of accounts receivable, bank reconciliations, contract administration, customer service, deposits, payroll, property management, purchase and travel vouchers and working funds. Transactions and activities were reviewed primarily for the period of March 2010 to February 2011. Fieldwork was conducted from May to August 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Payroll

Observation

Current controls over payroll functions do not include a strong monitoring process to identify overtime payments to exempt employees and untimely approval of supplemental payments. The following exceptions were identified:

- Five University employees classified as exempt in the payroll system received overtime pay totaling approximately $6,000 during the audit period. According to System Regulation 31.01.09, Overtime, exempt employees are not eligible for overtime payment. These payments would have been more appropriately processed as supplemental payments. Payments were supported by approved payroll adjustment forms and time card reports for janitorial and security services, as well as extra time worked due to staff shortages.

- The request for supplemental pay form was not signed prior to commencement of work for seventeen of twenty-one (81%) supplemental payments reviewed. Signatures necessary for approval were obtained one to sixty days after work began. University Administrative Procedure 27.04.99.P0.05, Supplemental Payroll Payments requires that “the requesting department must complete the request for supplemental pay form and obtain the required approvals before authorizing the employee to perform the work.”

Weak controls over payroll processes increase the risk that unearned and unauthorized payments will be made to employees, resulting in lost revenue and noncompliance with A&M System regulations and University administrative procedures.

Recommendation

Ensure the University community is aware of University Administrative Procedure 27.04.99.P0.05, Supplemental Payroll Payments, and the requirement that the request for supplemental pay form must be completed prior to the start of work. Ensure payments to exempt employees for duties performed outside their normal work hours or course of work are processed as
1. Payroll (cont.)

supplemental payments. Monitor for compliance with these requirements.

Management’s Response

We agree with your recommendation.

Financial Services management will ensure the University is aware of University Administrative Procedure 27.04.99.P0.05. This procedure is being revised to more fully describe the supplemental payroll process. The revised procedure will be distributed via campus announcement and periodic training sessions will be provided.

Payroll adjustment forms will be submitted for supplemental payments and only specific payments will be processed via this form. All payroll adjustment forms will be monitored for compliance, which will require appropriate authorized signatures with supporting documentation attached prior to processing for payment.

This process will be implemented by May 31, 2012.

2. Contract Administration

Observation

Three of ten (30%) contracts reviewed were not fully approved prior to the contract execution date. Delay periods ranged from approximately 6 to 90 business days. A total of 242 contracts were in place during the audit period.

Timely routing of contracts can prove to be challenging as it is a manual process. A&M System Policy 25.07.01, Contract Administration Procedures and Delegations, and University Administrative Procedure 25.07.01.P0.01, Contracting Delegations, require all contracts to be processed in accordance with the President’s delegation of authority. If contracts are not routed for required approvals in an efficient manner, the University could be bound to a contract which does not serve the best interest of the institution.

Recommendation

Ensure employees involved with contract administration procedures are aware of the importance in fully executing a contract prior to its start date. Develop a contract routing form to be used with each
2. Contract Administration (cont.)

contract that includes the contract execution date as well as signatures required and dates signatures are received.

Management’s Response

We agree with your recommendations.

Financial Administration management will ensure employees involved with contract administration procedures are aware of the importance in fully executing a contract prior to its start date. The procedure will be distributed via campus announcement and monthly training sessions will be provided.

A contract routing form has been developed and implemented by management, which includes the contract execution date as well as signatures required and dates signatures are received.

This process will be implemented by February 29, 2012.

3. Reconciliations

Observation

Reconciliations were not consistently dated by the reconciler resulting in the inability to determine timeliness of the reconciliation process.

Of fifteen reconciliations reviewed, six (40%) did not include the date the reconciliation was performed. Timeliness of reconciliations could be determined by reviewing either the reconciler or reviewer’s date for eleven of fifteen reconciliations reviewed; of these eleven, five (45%) were not performed timely ranging from three to forty-one days after the allowable thirty-day period. For the four remaining reconciliations, timeliness could not be determined as the review date was outside the thirty-day period and the reconciled date was not provided. As of audit test work the University was utilizing eleven local banks and forty State Comptroller accounts.

According to the University Reconciliations Office Procedures, both the preparer and reviewer are required to initial and date the reconciliations. Compliance with this process would facilitate management’s monitoring efforts to determine accountability and timeliness of reconciliations. Performing and reviewing bank reconciliations in an untimely manner reduces the effectiveness of the reconciliation as an internal control and increases the risk of impropriety.

University management has made several changes to improve the reconciliation process including the establishment of a reconciliation entity within the Office of Business Affairs and a
3. Reconciliations (cont.)

reconciliation report listing all banks in use, status of the most recent reconciliation, and number of outstanding items. This report is provided to the Vice President for Business Affairs for regular review.

**Recommendation**

Continue efforts in ensuring timely completion and review of bank reconciliations. Ensure those performing and reviewing reconciliations both sign and date the reconciliation as required by University procedures.

**Management’s Response**

*We agree with your recommendations.*

Financial Administration management will continue its efforts in ensuring timely completion and review of bank reconciliations. We will ensure those performing and reviewing reconciliations sign and date the reconciliations as required by University procedures.

*This process will be implemented by March 31, 2012.*
BASIS OF REVIEW

Objective

The objective of the audit was to review 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 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, Prairie View A&M Administrative Procedures, and other sound administrative practices. This audit was conducted in conformance 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 Office of Business Affairs at Prairie View A&M University strives to further the University’s mission by efficiently and effectively serving students, faculty, staff, and outside constituents. Business Affairs is divided into 11 units, which includes Financial Administration and Financial Services. These units provide many services including accounting, budgeting, contract review, payroll, procurement, and fixed asset management. There are approximately twenty employees in Financial Administration and Financial Services.
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