PROJECT SUMMARY

Bond information was accurately reported in the Texas A&M University System’s 2011 Annual Financial Report. Outstanding bonds payable at August 31, 2011 totaled approximately $2.2 billion. Additionally, the A&M System was in compliance with significant requirements outlined in its bond covenants and the financial statement notes related to bonds complied with the State of Texas Comptroller’s reporting requirements.

BASIS OF REVIEW

Objective and Scope

The overall objective was to determine if bond information was accurately reported in the fiscal year 2011 Annual Financial Report and to determine compliance with bond covenants, laws, policies, regulations and rules. The review of bonds at the Texas A&M University System Offices focused on evaluating the presentation of bond schedules and bond-related notes presented in the annual financial report. In addition, procedures were performed to gain assurance that the A&M System was in compliance with significant bond covenants. Fieldwork was conducted from June to July, 2012.

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 Annual Financial Report Reporting Requirements from the State of Texas Comptroller’s Office, 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

Bonds are used by the Texas A&M University System to provide long-term financing for new facilities or as short-term financing for equipment or interim financing of construction projects. The A&M System issues two types of bonds to investors, Permanent University Fund bonds, which are financed with revenue from the Available University Fund, and Revenue Financing System bonds, which are financed through allowable pledge sources.

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