THIRD QUARTER REPORT
FISCAL YEAR 2013

July 25, 2013
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PRAIRIE VIEW A&M UNIVERSITY

Review of the College of Agriculture and Human Sciences

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20130502
PROJECT SUMMARY

Overview

Prairie View A&M University has established processes and controls at the College of Agriculture and Human Sciences that provide reasonable assurance that business processes are performed efficiently and effectively and in compliance with laws, policies, regulations, and rules with the exception of processes related to implementation of all prior federal audit recommendations and fixed asset management. Significant improvements are needed to ensure that the prior federal audit recommendation related to research proposal monitoring is achieved and to provide assurance that fixed assets and livestock inventory are safeguarded and accurately recorded. Opportunities for improvement were also identified in the areas of expenditure processing and external employment approvals.

The College of Agriculture and Human Sciences (College) includes the Cooperative Agricultural Research Center (CARC) and the Cooperative Extension Program (CEP). There has been high turnover in management at the College. The combined position of Dean, Research Director and Extension Administrator (Dean) has turned over four times in the past six years with the current Dean appointed in November 2012. The College does not have a current overall strategic plan that includes the academic college, CARC, and CEP; however, the College is currently in the process of creating a strategic plan and finalizing the related reorganization to provide more integration between the academic, research and extension branches of the College.

Summary of Significant Results

Prior Federal Audit Recommendations

The university’s audit tracking process was not effective in ensuring that all recommendations from the prior United States Department of Agriculture National Institute of Food and Agriculture (USDA-NIFA) audit have been addressed. The August 2011 audit recommendation related to monitoring of research proposals was only partially implemented as of January 2013. Poor communication between university departments contributed
to a lack of responsibility and accountability for ensuring corrective actions were effectively implemented. Timely implementation of prior audit recommendations reduces the risk that the university will be subject to penalties and reduced sponsor funding.

**Asset Management**

Weaknesses identified in the university’s asset management processes include missing or incorrect information in the official fixed asset records and departmental livestock inventories that lacked required individual livestock records. It was also noted that animals were not all tagged and identified timely. Without accurate information on all fixed assets and livestock, the risk is increased that university assets may be lost or misappropriated without detection.

**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 these issues.

**Scope**

The review of the College of Agriculture and Human Sciences at Prairie View A&M University focused on expenditures, asset inventories, personnel, prior audit recommendations, research proposals, and third-party affiliations. The audit period focused primarily on activities from January 1, 2012 to December 31, 2012. Fieldwork was conducted from January to March, 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Prior Federal Audit Recommendations

Observation

Effective communication and processes were not in place to ensure all prior audit recommendations were implemented.

The university’s audit tracking process was not effective in ensuring that all recommendations from the prior USDA - NIFA audit have been addressed. The August 2011 audit recommendation related to monitoring of research proposals was only partially implemented as of January 2013. The university’s corrective action stated that CEP and CARC in conjunction with the Office of Research and Development would conduct quarterly programmatic reviews to ensure compliance with grant requirements. These reviews have not been implemented. Poor communication between university departments contributed to a lack of responsibility and accountability for ensuring the quarterly reviews were completed. Timely implementation of prior audit recommendations reduces the risk that the university will be subject to penalties and reduced sponsor funding.

Recommendation

Enhance communication and audit tracking processes to ensure audit recommendations are addressed and resolved in a timely manner. Establish responsibility and accountability for completion of quarterly reviews and ensure that reviews are completed in a timely manner each quarter.

Management’s Response

We agree with your recommendations.

The University Office for Research and the College of Agriculture and Human Sciences (CAHS) management will enhance communication and audit tracking processes to ensure audit recommendations are addressed and resolved timely.

The University Office for Research and CAHS management have developed an internal request for proposal document that will guide potential principal investigators in presenting the appropriate formats for their proposals.
1. Prior Federal Audit Recommendations (cont.)

The University Office for Research has an established procedure for presentation of protocol applications for review and approval prior to the initiation of all research activities. The implementation of the internal proposal submission process will ensure all projects are submitted for internal compliance review and approval prior to start-up.

This process will be implemented by September 30, 2013.

2. Asset Management

Observation

Weaknesses identified in the university’s asset management processes include missing or incorrect information in the official fixed asset records and departmental livestock inventories that lacked required individual livestock records. Without accurate information on all fixed assets and livestock, the risk is increased that assets may be lost or misappropriated without detection.

Forty-four of 60 (73%) fixed assets reviewed had missing or incorrect information in the university’s official fixed asset records. Missing or incorrect information included serial numbers, building locations, room locations, and one item that did not have an asset number recorded. Two items could not be located and no documentation existed to show that these items had been reported missing or stolen. Complete and accurate information is necessary to ensure that assets can be found and identified.

Livestock inventory records are missing required information. Additionally, multiple livestock record systems are maintained for the various types of animals at the farm. For example, the dairy goats have individual electronic identification chips and production information is kept for every animal. The meat goat inventory uses a different system with less detailed information. The cattle and horse inventories simply include a count of animals in broad categories such as red cows, black cows, etc. Although cattle have ear tags, the cattle inventory does not list individual animals. Calves born since August 2012 have not yet been tagged in February 2013. Without appropriate inventory records there is an increased risk that university assets could be lost or misappropriated without timely detection. The A&M System Asset Management Manual requires that departmental inventory and individual livestock records include identification number or description; breed and gender; date and method of acquisition; date and method of disposal; and production record for breeder stock.
The College’s Property Officer has not completed required training. The College’s Director of Fiscal Operations does not have to attend training; however, as supervisor of the new Alternate Property Officer the training would be useful in providing oversight. The A&M System Asset Management Manual requires training for the Property Officer and Alternate Property Officer. Without appropriate training, the individuals with asset responsibilities do not understand the requirements and procedures involved in safeguarding the university’s assets and maintaining records in compliance with the A&M System Asset Management Manual.

Recommendation

Strengthen controls over asset management by:

- Ensuring fixed asset records are accurately recorded in the university’s official asset records and establishing livestock inventory records consistent with requirements in the A&M System’s Asset Management Manual.

- Ensuring that personnel, including supervisors with asset and inventory responsibilities, are knowledgeable of A&M System requirements and good asset management internal controls and processes.

Management’s Response

We agree with your recommendations.

CAHS management will take the appropriate steps to ensure fixed asset records are accurately recorded in the university’s official asset records and establish livestock inventory records consistent with requirements in the A&M System’s Asset Management Manual. On April 1, 2013, the CAHS hired a Property Officer. On March 15, 2013, an interim farm manager was appointed until the college can hire a permanent farm manager.

CAHS management in conjunction with the Office of Asset Management will ensure all personnel, including supervisors with assets and inventory responsibilities, are knowledgeable of A&M System requirements and good asset management internal controls and processes.

This process will be implemented by December 31, 2013.
3. Expenditure Processing

Observation

Opportunities exist to improve the accuracy and timeliness of expenditure processing related to procurement cards, travel vouchers, and purchase vouchers.

Thirty-five of 57 (61%) procurement card expense reports reviewed were not submitted timely. Reports were submitted three to 11 days past the due date. The university Procurement Card Guide states that completed purchasing card reconciliations are required by the 10th of every month. In addition to timeliness exceptions, eight of 60 (13%) procurement card transactions reviewed were coded to the incorrect expense object codes. Correct object codes help ensure that expenses are allowable and paid from appropriate funds as well as provide management with accurate information for decision-making.

Twelve of 58 (21%) travel vouchers were not submitted in a timely manner. These twelve travel vouchers were submitted from 13 to 52 days after the last day of the trip. The university’s procedures state that expense reports are to be submitted within five days of the end of travel; however, this may not be reasonable since it may take up to a week after the end of the trip for all corporate charges to feed into the Concur travel system. While it is important to have due dates that provide for efficient processing of expenditures, the due dates need to provide reasonable timeframes for submitting information.

Ninety-four of 939 (10%) purchase vouchers processed during the audit period were not paid timely. Payments ranged from six to 399 days past the payment due date. The State of Texas Prompt Payment Law requires a state agency to make payment to the vendor by the 30th calendar day after the latest of the following: the day the goods are received; the day the vendor completed performing its services; or the day the invoice for the goods and services is received. Late payments result in interest expenses to the university.

Timely and accurate processing of expenditures reduces the risk that errors or misappropriations could occur without detection.

Recommendation

Develop procedures and monitoring processes to ensure that invoices, travel reimbursements, and procurement card expense
3. Expenditure Processing (cont.)

| reports are submitted to Financial Services in a timely manner. Establish procedures and monitoring processes to increase accuracy of expense coding. Review travel procedures to determine if current processing due dates are reasonable. |
| Management’s Response |
| We agree with your recommendations. |
| CAHS management will develop procedures and monitoring processes to ensure invoices, travel reimbursements, and procurement card expense reports are coded accurately and submitted to the Office of Financial Services in a timely manner. |
| The Office of Financial Services has revised travel procedures which will require travel expense reports be submitted 15 business days after the trip. |
| This process will be developed and implemented by September 30, 2013. |

4. External Employment

Observation

| Four employees engaged in external employment out of 14 (29%) employee files reviewed did not have approved external employment forms on file as required. University Human Resources issues an annual reminder to all employees to complete required forms for external employment to comply with A&M System Policy 31.05. The College did not have a monitoring process in place to ensure that employees completed the forms as required. Annual external employment disclosure and approval processes reduce the risk of conflicts of interest. |
| Recommendation |
| Develop a monitoring process to ensure that employees engaged in external employment complete annual external employment forms so that supervisors appropriately address any potential conflicts of interest. |
Management’s Response

4. External Employment (cont.)

We agree with your recommendations.

CAHS management will develop a monitoring process to ensure employees engaged in external employment complete annual external employment forms so that supervisors address any potential conflicts of interest.

This process will be implemented by September 30, 2013.
BASIS OF REVIEW

Objective

The overall audit objective was to review the operating processes and controls over the College of Agriculture and Human Sciences, Cooperative Agricultural Research Center, and Cooperative Extension Program to determine if resources are used efficiently and effectively; assets are safeguarded; and compliance is achieved with 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 University rules and 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 College of Agriculture, which includes the Cooperative Agriculture and Research Center (CARC) and the Cooperative Extension Program (CEP), is the largest college at the university in terms of funding and employees. Annual federal formula grant funding for CARC and CEP is approximately $9 million with an additional $1.5 million in facilities funding. The state matching for these programs is approximately $3.2 million. The College also has approximately $1 million for the academic operating budget. The College has over 200 employees, including approximately 40 county extension agents in 8 of the 12 county extension districts across the state.
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TEXAS A&M UNIVERSITY – KINGSVILLE

Review of Student Financial Aid

Catherine A. Smock, C.P.A.
Chief Auditor
PROJECT SUMMARY

Overview

Overall, the processes and controls established by the Office of Student Financial Aid at Texas A&M University - Kingsville provide reasonable assurance that the university’s student financial aid program is operating in compliance with applicable federal laws and guidelines and university regulations and rules. Testing results indicated that financial aid awards were made in accordance with state and federal guidelines. However, significant improvement is needed in documenting operating procedures for financial aid related processes. The current procedures manual has not been updated in more than ten years. Opportunities for improvement also exist in the areas of departmental scholarship documentation, reconciliations, and resolution of data discrepancies within Banner.

In academic year 2011-2012, over 74 percent of the students received some type of financial aid such as grants, loans, or scholarships. The university awarded approximately $50 million in federal grants and loans, and approximately $5.4 million in TEXAS grants. In addition, students received $3.9 million in scholarships awarded by the university.

Summary of Significant Results

Operating Procedures

Operating procedures for several key financial aid related processes are not documented. The Office of Student Financial Aid’s internal procedures manual has not been updated in more than ten years. There is also a lack of documented procedures for processing Perkins loans and short-term loans managed by the Business Office. Without the periodic review and updating of documented procedures, the risk is increased that important procedures and guidelines will be bypassed, incompletely performed, or inappropriately handled. Since student financial aid activities operate in a highly regulated environment it is very important that procedures are accurate and available so that
employees can be knowledgeable and compliant in the performance of their duties.

Summary of Management’s Response

The management at Texas A&M University – Kingsville agrees with recommendations in the report. The Office of Student Financial Aid and the Business Office agree to work together in an effort to maintain effective, efficient, educated and well-trained management and staff members. Effects of such collaborative efforts have already been noted.

The Office of Student Financial Aid acknowledges that it is of the utmost importance that the department has and frequently updates the office procedures manual. The Director of Financial Aid has assigned the responsibility of creating and maintaining an updated manual to an appropriate staff member. The process, which began prior to the audit, will be completed in December 2013.

The Business Office is currently working on updating all procedures in the department. There will also be a periodic review by the Director of Student Accounts to ensure the procedures have been updated. Anticipated completion date is December 2013.

Financial Aid management, along with the management of the Business Office, recognize and agree that better communication and training are needed within each department as well as improved interaction between departments. Interactive efforts have begun between the offices by having scheduled bimonthly meetings. Departmental management has been meeting for over a year to find solutions to this problem. Meetings are also utilized as a time to inform each department of any pertinent updates and as a possible brainstorm session for any needed changes.

Scope

The review of student financial aid at Texas A&M University - Kingsville focused on federal and state aid, Perkins loans, short-term loans, federal loan disbursement notifications, verifications, withdrawals, student information system access, account reconciliations, and scholarships. The audit period focused primarily on activities from September 1, 2011 to August 31, 2012. Fieldwork was conducted from February to April 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Operating Procedures

Observation

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<td>Operating procedures for several key financial aid related processes are not documented. The Office of Student Financial Aid’s internal procedures manual has not been updated in more than ten years. There is also a lack of documented procedures for processing Perkins loans and short-term loans managed by the Business Office. Changes in personnel, position responsibilities, information systems, and processing methods have occurred without documenting corresponding procedural changes. While management recognizes the need for updating their procedures, this has not been a priority.</td>
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Documenting operating procedures is an important control in providing continuity of financial aid services during changes in personnel by providing employees with guidance in performing their duties. Audit results indicated current employees have a good working knowledge of appropriate financial aid procedures, but without documentation of current procedures there is no assurance that employee turnover would not result in significant interruption to processing. Without the periodic review and updating of documented procedures, the risk is increased that important procedures and guidelines will be bypassed, incompletely performed, or inappropriately handled. Since student financial aid activities operate in a highly regulated environment it is very important that procedures are accurate and available so that employees can be knowledgeable and compliant in the performance of their duties.

Recommendation

| Review, update, and document current procedures for the Office of Student Financial Aid and for the processing of Perkins loans and short-term loans. Ensure that the documented procedures are periodically reviewed and updated for accuracy. |

Management’s Response

| Management agrees with the recommendations. Financial Aid management has recognized the lack of written procedural updates. |
1. Operating Procedures (cont.)

and started implementing changes to rectify the problem. The responsibility of creating a new procedures manual has been assigned to the new Financial Manager who will also maintain updates that are needed for the university to remain compliant with federal and state regulations. Completion is scheduled for December 2013.

In addition, all changes and/or updates to institutional procedures will be disseminated accordingly and in a timely manner. These procedures will also be discussed during bimonthly staff meetings between the Business Office and Financial Aid staff members.

The Business Office agrees as well with the recommendations and is currently working on updating all procedures in the department. There will also be a periodic review by the Director of Student Accounts to ensure the procedures have been updated. Anticipated completion date is December 2013.

2. Departmental Scholarships

Observation

The departmental scholarship processes need improvement. Departments do not clearly document the scholarship decision-making process. Documenting the awarding of student scholarships provides support to better defend the award selection in the event it is challenged. Departmental scholarship awards during fiscal year 2012 totaled approximately $770,000. The following exceptions were identified:

- Eight of 11 (73%) departments could not provide documentation to support the award decision.
- Eight of 11 (73%) departments had no written procedures for evaluating applicants.

The university's Office of Student Financial Aid has developed general scholarship guidelines, but these guidelines have not been distributed to the departments that award scholarships. As a result, departments do not have guidance or standardized forms and processes to document the award selection. Although scholarships were awarded in accordance with scholarship criteria and there was no evidence that scholarship awards were biased, documentation was not on file to support the awards of all scholarships tested.
2. Departmental Scholarships (cont.)

The university’s General Scholarship Guidelines state that all scholarship awards must have documentation in the office designated by the awarding college or department to include the scholarship criteria, scholarship ranking, and selection data and applicant ranking. Records must be retained for a minimum of five years following a student’s graduation or withdrawal from the university. This lack of documentation increases the risk that the university could not defend its selection process if challenged.

Recommendation

Improve oversight of department scholarships by providing training and guidance on appropriate documentation of the award selection to all individuals involved in the departmental scholarship awards processes.

Management’s Response

Management agrees with the recommendations. The Scholarship Committee chair will work with the Scholarship Committee members to establish an action plan and timeline to review and approve the scholarship guidelines on an annual basis. The plan will also include a training schedule to review the guidelines and awarding processes with all individuals involved with the scholarship awarding process, especially individuals involved in awarding departmental scholarships. The action plan will be completed by December 31, 2013.

3. Reconciliations

Observation

Reconciliations are not documented for accounts with financial aid funds. Perkins loan and short-term loan accounts are not reconciled each month. During fiscal year 2012 there were 80 Perkins loans issued totaling more than $290,000 and 4,154 short-term loans issued totaling more than $10 million. Scholarship accounts are also not being reconciled. The university awarded more than 1,200 scholarships in fiscal year 2012 totaling approximately $3.9 million. Although accounts with federal and state financial aid funds, such as Pell grants and student work-study, are being reviewed for reasonableness, documented reconciliations of the accounts are not prepared on a routine basis. The turnover in personnel and changes in position responsibilities combined with a lack of documented procedures have been contributing factors to the lack of documented reconciliations.
3. Reconciliations (cont.)

In addition, a documented reconciliation for the annual Fiscal Operations Report and Application to Participate (FISAP) report is not prepared. There are multiple people and offices involved in preparing the FISAP report and each maintains supporting information for their particular section. However, a documented and comprehensive reconciliation of the information used and multiple information systems involved in the financial aid process is not prepared.

Periodic reconciliations are necessary to identify differences between two or more sets of records or systems so that appropriate actions can be taken to resolve any discrepancies or outstanding items. Without adequate review and monitoring of the reconciliation process, the risk of errors, discrepancies or misappropriations occurring and not being detected is significantly increased.

**Recommendation**

Establish monitoring procedures to ensure that all financial aid and institutional loan accounts are formally reconciled and reviewed. Develop and implement a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP. Document the reconciliation procedures.

**Management’s Response**

Management agrees with the recommendations. As of June 2013, the Business Office has revised the current reconciliation process for Perkins and short-term loan accounts to include a formal reconciliation. The reconciliation form has been created and signature lines for the preparer and the reviewer to sign off and date have been added. Furthermore, the procedures have been updated to reflect these changes.

Financial Aid and the Business Office staff are reevaluating the reconciliation process and responsibilities between our offices before completing the formal documentation and reconciliation of the following accounts: state and federal financial aid accounts, scholarship accounts, and the FISAP reconciliation. We anticipate a December 2013 implementation date after determining the responsible parties.
4. Data Discrepancies

Observation

Data discrepancies exist between modules within the Banner student information system.

Discrepancies were noted in data provided from the university’s student information system (Banner). There were differences in information between the data retrieved from the financial aid module and the student module within Banner. Data discrepancies noted during our audit included dates of birth and social security numbers. Various departments throughout the university depend upon accurate student information to ensure compliance with state and federal regulations. When there are discrepancies in the information it is difficult to know which is the correct information.

Information in each module of Banner is obtained from different sources. Although there are processes within each module to resolve any data errors within that module, processes to resolve differences between modules and ensure information is consistent and accurate do not exist. Inaccurate or inconsistent data increases the risk that students will not be awarded aid properly.

Recommendation

Establish procedures to ensure data accuracy and consistency between the different modules within Banner.

Management’s Response

Management agrees with the recommendations. An SQL program will be developed to extract and compare data from Banner Financial Aid and Banner Student as it relates to the accuracy of certain elements of student data including social security numbers and dates of birth. A procedure will then be developed to resolve any discrepancies revealed. It is expected that this should be done at least twice a month beginning August 1, 2013.
BASIS OF REVIEW

Objective

The objective of the audit was to review the processes and controls over the university’s student financial aid system to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner, and to determine compliance with 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; the Federal Code of Regulations and the Federal Student Financial Aid Handbook; Texas Higher Education Coordinating Board Rules; 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 Student Financial Aid is comprised of approximately 20 individuals and reports to the Vice President for Enrollment Management. The mission of the Financial Aid Office is to provide assistance through grants, scholarships, loans, and college work-study to students who, without such aid, would be unable to attend college.
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Ms. Melanie Ramirez, Director of Student Accounts and Bursar
TEXAS A&M UNIVERSITY

Review of the Department of Student Life

Catherine A. Smock, C.P.A.
Chief Auditor
PROJECT SUMMARY

Overview

Overall, controls over accounts receivable processes and cash handling for Student Media and the Business Services Office within the Department of Student Life at Texas A&M University require significant improvement. Accounts receivable processes are not in compliance with required reporting and collection requirements. Cash handling procedures are not properly segregated and deposits are not being made timely.

Opportunities for improvements were also noted regarding assignment of Federal Educational Rights Privacy Act training, completion of confidentiality statements, and the efficiency of payroll processing for student task workers in Student Media. Controls reviewed for student conduct processes provide reasonable assurance processes are occurring as intended and are properly documented.

Summary of Significant Results

Accounts Receivable

Accounts receivable processes for Student Media do not ensure compliance with state, A&M System and university requirements. The review found compliance exceptions with multiple accounting and collection processes including misreported receivable balances, excluded accounts from the aged receivable reports, and a lack of reconciliations between accounting records. Without accurate accounting and collection of accounts receivable, the risk of errors, discrepancies or misappropriations occurring and not being detected is increased.

Cash Handling

Cash handling processes are not appropriately segregated in the Business Services Office and deposits are not being made timely in both the Business Services Office and Student Media. The same personnel can collect, deposit and reconcile payments which does not provide for sufficient segregation of duties. There
is also a lack of monitoring controls in place. Without adequate controls over cash handling processes, the risk of errors, discrepancies or misappropriations occurring without detection is increased.

Summary of Management’s Response

The Department of Student Life strives to provide services to the university, students, stakeholders and community members that we serve. Implementation of the recommendations detailed in the audit report will further enhance administrative processes and controls in regard to accounts receivable and cash handling procedures. Additional detail is provided within the individual audit response.

Scope

The review of the Department of Student Life at Texas A&M University focused on financial accounting processes, student information security, and student conduct processes. The audit period focused primarily on activities from September 1, 2011 to January 31, 2013. Fieldwork was conducted from January 2013 to February 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Accounts Receivable

Observation

Accounts receivable processes for Student Media do not ensure compliance with state, A&M System and university requirements. The following exceptions were noted:

- For fiscal year end 2012, there was approximately $168,000 in outstanding accounts receivable; however, only $5,321 was reported to the university’s Financial Management Operations (FMO) at fiscal year-end.

- Monthly aged receivable reports did not include all aged accounts and was not submitted monthly to FMO as required.

- Service charges were not consistently applied to all accounts. Certain accounts were excluded from the aged listings as they were larger clients and management decided not to include these larger receivable balances due to the large volume of activity.

- Two of the seven accounts on the aged listing were more than 120 days past due and had not been put on state hold as required by the state comptroller and A&M System policy.

- The accounting system used by Student Media is not being reconciled to the Financial Accounting Management Information System (FAMIS), which would help detect inaccurate reporting.

- Procedures had not been documented for managing accounts receivable.

FMO procedures for extension of credit and collections state that departments must submit an aged report by the 25th of each month and must include a minimum of the customer name, amount due and aging (days past due). The department misinterpreted what information was required to be reported and the university has no mechanism in place to monitor for the accuracy of reporting. FMO’s annual reporting instructions state “sales that are recorded in the department’s records, but have not been processed in FAMIS,
1. Accounts Receivable (cont.)

Cash handling processes are not appropriately segregated in the Business Services Office and deposits are not being made timely in the Business Services Office and Student Media. The same Business Services Office personnel can collect and deposit payments and reconcile the accounts which does not provide for sufficient segregation of duties. Staff understanding of what duties should be segregated was not clear. A&M System Regulation 21.01.02 states “cash handling and record-keeping functions should be separated. In small offices where segregation

Recommendation

Determine if accounts receivable management and reporting should be handled by FMO to assist with increasing collections, accuracy of reporting, and compliance with laws and regulations. In coordination with FMO, develop written procedures for managing accounts receivable including credit management, reporting, collections, and state hold processes. Perform periodic account reconciliations of accounting systems to FAMIS. Evaluate outstanding receivable accounts and determine which accounts need to be placed on state hold.

Management’s Response

Management understands that without additional controls over accounts receivable processes, the risk of errors or misappropriation of funds is increased and inaccurate reporting might be used for decision-making. Student Media has developed, documented and will implement detailed procedures, (one of three options provided and supported by FMO), which will ensure compliance with university reporting, collection, extending of credit, reconciliation, and state hold requirements.

Target Date: August 31, 2013.

2. Cash Handling

Observation

Cash handling processes do not ensure appropriate segregation of duties and timely deposits.
2. Cash Handling (cont.)

of duties is impractical, supervisory personnel who do not handle cash should perform specific verification that provides for reasonable and sound internal controls.” The department lacked supervisory monitoring and verification over the cash collections.

The department’s receipting processes are not in compliance with A&M System regulations which require the deposits of receipts to be made daily or if they are less than $200 deposits shall be made within three days. Student Media had 13 of 15 (87%) deposits that were not made timely and one deposit took 12 days from receipt to deposit. The average was 4.5 days from receipt to deposit. The Business Services Office had 10 of 15 (67%) deposits that were not made timely and one deposit took 19 days from receipt to deposit. The average was 4.4 days from receipt to deposit.

Various program areas collect payments and then submit to the Business Services Office who then prepares the deposit to FMO. A&M System Regulation 21.01.02 states “in most instances, fees and other charges collected, proceeds of cash sales and proceeds from other sources must be deposited to the applicable fiscal department on a daily basis.”

Without appropriate controls over cash handling processes the risk of undetected errors or misappropriation of funds increases.

Recommendation

Segregate incompatible duties to ensure resources are appropriately protected. Periodically review the processes to ensure they are functioning as intended and job duties are properly segregated. Ensure deposits are made timely in accordance with the A&M System regulation.

Management’s Response

Management understands that without additional controls over cash handling processes, the risk of errors or misappropriation of funds is increased. Student Media and the Business Services Office have developed, documented and will implement detailed procedures that will ensure compliance with cash handling requirements. These procedures address appropriate segregation of duties regarding receiving, deposit procedures, processing and reconciliation of accounts that ensure timely deposits and monitoring of controls and processes by management.

Target Date: June 30, 2013.
3. FERPA Training

Observation

| Changes are needed in assigning FERPA training to Student Life employees. | Employees required to take the university Family Educational Rights and Privacy Act (FERPA) training had not taken the training as required by the Student Life department manual. The training helps employees understand the requirements of federal law concerning privacy requirements of student records. Seventeen of 20 (85%) sampled employees had not completed the training. Management was not aware training was not automatically assigned to employees in the online training program, TrainTraq. Without training employees may not be aware of the privacy requirements regarding student data accessed as part of their employment. |

Recommendation

Assign FERPA training in TrainTraq to all employees in Student Life. Develop a process to monitor completion of the training. Develop a process to monitor that all employees have been assigned and completed the FERPA training.

Management’s Response

As of May 1, 2013, all employees have been assigned and completed FERPA training in TrainTraq. A step has been added to the processing of new Student Life employees to assign FERPA training in TrainTraq which is required to be completed within 30 days of hire date. Additionally, FERPA training will be set up in TrainTraq in a manner to automatically assign the training annually to employees as a refresher. Management will monitor, on a monthly basis, the status of employee training.

Target Date: May 31, 2013.

4. Confidentiality Statements

Observation

| Student Life employees do not all have signed confidentiality statements. | Current practices do not ensure compliance with Student Life’s requirements for employees to sign confidentially/non-disclosure agreements upon hire. Three of 20 (15%) employees did not have signed statements in their personnel file. New hire processes were not followed for some new employees which led to the oversight. It is important to have employees sign a confidentiality/non-disclosure statement acknowledging that they
4. Confidentiality Statements

have access to confidential information as part of their work, and that they have responsibility to not divulge this confidential information.

Recommendation

Ensure all new employees are provided the confidentiality statements upon hire, sign and date the statements and place them in their personnel file. Send annual reminders and reaffirmations for staff to read and sign.

Management's Response

 Procedures have been added to the new hire checklist to ensure that all employees sign a confidentiality/non-disclosure agreement during the hiring process. Additionally, a process has been established for an annual re-certification of the confidentiality/non-disclosure agreement. As of May 1, 2013, management has confirmed that all current employees have signed an annual re-certification.

Target Date: May 31, 2013.

5. Task Workers Payroll

Observation

Processing of payroll for Student Media task workers takes between one and two days and requires a large number of timesheets to be deleted. Student Media employs approximately 67 student workers who are paid wages based on the type of article or advertisement submitted for the student newspaper. Each student employee may have up to four different timesheets for each bi-weekly pay period which may or may not be used in any pay period. For one pay period approximately 200 timesheets were manually deleted by the administrative staff responsible for entry and approval of task workers in the system. This process is an inefficient use of personnel time.

Recommendation

Engage the university’s Payroll Operations to determine a more efficient method for processing supplemental payments for student task workers.
Management’s Response

5. Task Workers Payroll (cont.)

Management has consulted with Payroll Operations to determine possible efficiencies. After review with Payroll Operations, management has reduced the number of task worker pay scales from four pay scales to two pay scales. This change will reduce the number of pay sheets and will reduce the amount of effort and chance of errors when preparing bi-weekly payrolls. Additionally, a semester review of task workers that need to be removed from the payroll system will be performed. Use of the new pay scales and the initial semester review of task workers will be performed before the May 29th payroll is submitted.

Target Date: May 31, 2013.
BASIS OF REVIEW

Objective

Evaluate financial accounting, student information, and student conduct in the Department of Student Life to determine if Student Life is in compliance with laws and policies.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Rules and Standard Administrative Procedures of Texas A&M University; 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 Department of Student Life is within the Division of Student Affairs at Texas A&M University. The department employees approximately 35 staff, 11 graduate assistants, and 92 student workers (67 of which are task workers within Student Media). The major service areas include Adult, Graduate, and Off Campus Student Services; Alcohol and Drug Education Programs; Gay Lesbian, Bisexual, Transgender Resource Center; New Student and Family Programs; Student Conflict Resolution Services; Student Assistance Services; Women's Resource Center and Student Media. Student Media publishes the Battalion newspaper, Aggieland yearbook, and the Campus Directory which are written, edited, and produced by students.
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Third Quarter Report for Fiscal Year 2013

WEST TEXAS A&M UNIVERSITY

Review of Title IX Compliance

Catherine A. Smock, C.P.A.
Chief Auditor
PROJECT SUMMARY

Overview

West Texas A&M University has taken steps to address federal laws and regulations related to Title IX of the Education Amendments of 1972 (Title IX) in the areas of grievances and investigations; intercollegiate athletics; and Science, Technology, Engineering, and Math (STEM) academic programs. Processes and procedures were recently developed in these areas to provide the basis for a Title IX compliance program. Additional steps to gather and track statistical and other data related to these compliance efforts will be important to gauge and report the effectiveness of the compliance program. Tracking and reporting processes would also facilitate more centralized oversight of these areas, such as by the university’s Title IX coordinator or compliance officer, and would demonstrate due diligence in the event that any Title IX issues arise. In addition, further improvements are needed to Title IX compliance efforts regarding athletic financial assistance and grievance and investigation procedures.

Summary of Management’s Response

The university agrees that, although steps have already been taken to comply with federal laws and regulations related to Title IX, additional steps identified in the overview would not only improve the university’s compliance program, but would also demonstrate due diligence in the event any Title IX issues arise. The university recognizes that establishing and implementing improvements in its Title IX compliance program, such as those included in the overview, is an ongoing process and opportunities for improving the program will be continuous.

Scope

The review of Title IX compliance at West Texas A&M University focused on the areas of grievances and investigations; intercollegiate athletics; and Science, Technology, Engineering, and Math (STEM) academic programs. The audit period focused primarily on activities from September 2011 to January 2013. Fieldwork was conducted from February to April, 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Title IX Compliance Tracking and Reporting

Observation

Title IX statistical and compliance data is still in the process of being gathered and tracked in the areas of grievances and investigations; intercollegiate athletics; and Science, Technology, Engineering, and Math (STEM) academic programs. Several Title IX compliance processes and procedures in these areas were recently developed; however, corresponding compliance tracking and reporting mechanisms have not been formally implemented including:

- Metrics related to the number and types of grievance claims and violations and the timeliness of their investigation and resolution.

- Statistical and trend data for gender proportionality related to athletic financial assistance and accommodation of athletic interests and abilities which includes the number of sports and levels of competition.

- Assessment of gender equity for athletic-related benefits specified in the Title IX regulations such as the provision of equipment and supplies, scheduling of games and practice time, travel and per diem allowance, etc.

- Statistical and trend data related to the proportionality of females enrolled and awarded degrees in STEM fields.

- Assessment of gender equity for STEM-related academic functions specified in the Title IX regulations such as admissions, recruitment, education programs and activities, financial aid, employment assistance, etc.

Surveys of students related to Title IX issues and satisfaction have also been planned but not yet implemented. In addition, a Title IX compliance report has been drafted, but as of April 2013 has not been finalized and submitted to the president as stated in the university’s enterprise risk management plan.
1. Title IX Compliance Tracking and Reporting (cont.)

Title IX compliance tracking and reporting mechanisms are needed to gauge the effectiveness of Title IX compliance efforts and to provide centralized oversight to ensure compliance with Title IX requirements. In addition, these mechanisms would demonstrate due diligence in the event that any Title IX compliance issues arise. The 2012 Federal Sentencing Guidelines Manual, Chapter 8 “Effective Compliance and Ethics Program,” states that due diligence and the promotion of an organizational culture that encourages a commitment to compliance with the law requires that the organization take reasonable steps to ensure its compliance program is followed, including monitoring and auditing and periodically evaluating the effectiveness of the compliance program.

Recommendation

To gauge the effectiveness of compliance efforts and facilitate more centralized oversight of Title IX compliance areas, develop tracking mechanisms and reporting processes as follows:

- Track data and prepare formal reports related to Title IX grievance and investigation metrics.

- Gather and analyze statistics related to gender proportionality including trends over several years for:
  - Athletic financial assistance and accommodations of athletic interests and abilities to ensure Title IX requirements related to gender proportionality in these areas are being met.
  - Females enrolled and awarded degrees in STEM academic fields to monitor progress in this area.

- Prepare formal gender equity assessments for all athletic-related benefits and STEM-related academic functions addressed in the Title IX regulations to ensure the quality and types of benefits provided to members of both sexes are equitable.

- Periodically survey students related to Title IX issues and satisfaction.

Provide the Title IX coordinator with compliance reports and assessments generated for each of the above areas including plans to address any inequities or other areas of non-compliance identified. Include this information in the university’s annual Title IX Compliance report and present the report to the president as stated in the university’s enterprise risk management plan.
Management’s Response

1. Title IX Compliance Tracking and Reporting (cont.)

Management is in agreement with each of the recommendations and will comply with the recommendations, as follows:

By September 2013, tracking mechanisms and reporting processes will be developed to track data and prepare formal reports related to Title IX grievance and investigation metrics.

By December 2013, statistics relating to gender proportionality will be gathered, analyzed and trended over several years in the areas of athletic financial assistance and accommodations of athletic interests and abilities.

By December 2013, the university will gather, analyze, and investigate trends in enrollment, persistence, and four and six year graduation rates in STEM majors since 2003. This data is already being collected by department, but will be aggregated further to the college level and reported to the Title IX compliance officer on an annual basis.

By December 2013, formal gender equity assessments will be prepared for all athletic-related benefits addressed in Title IX regulations.

By December 2013, departments offering STEM degrees will develop an assessment instrument that includes metrics on the number of admissions offers, recruitment contacts, scholarship offers and acceptances, employment contacts and offers, and other programs relevant to the recruitment, retention and graduation of female students. This data will be aggregated further to the college level and reported to the Title IX compliance officer on an annual basis.

By September 2013, a process will be developed to periodically conduct surveys related to Title IX issues and satisfaction.

By October 2013, a process will be developed to provide the Title IX Coordinator with compliance reports and assessments generated for the above areas, including plans to address any inequities or other areas identified as non-compliant.

By February 2014, an annual Title IX Compliance report, including the above information, will be presented to the president. This report will be presented during the month of February for each year and will include data through the previous fiscal year.
1. Title IX Compliance Tracking and Reporting (cont.)

For the STEM-related analyses above, data will be collected using the National Science Foundation (NSF)/Department of Homeland Security (DHS) definition for STEM majors as the Texas Higher Education Coordinating Board’s definition of STEM CIP codes excludes both agricultural and biological sciences codes (1.0 and 26.0) that are important to our female population. The data will further be benchmarked against national data available from NSF.

2. Athletic Financial Assistance

**Observation**

Compliance with Title IX regulations related to athletic financial assistance is not currently being tracked and reported by the university which could result in non-compliance with Title IX requirements. Athletic personnel have been focusing primarily on fully funding each sport’s scholarships, to the maximum equivalency amount allowed by the National Collegiate Athletic Association (NCAA). As a result, an analysis was performed by the auditors based upon the scholarship dollars awarded and the number of athletic participants reported in the university’s NCAA Equity in Athletics Data Analysis Report (EADA). Based on this analysis the difference between athletic scholarship funding and the corresponding participation rates of males and females was 8% for 2010, 6% for 2011, and 9% for 2012 which exceeds the 1% variance allowed for the university to be considered “substantially proportionate” according to the Title IX regulations.

However, the participation rate submitted by the university in the EADA report includes students who only try out for a sport but never actually participate during the sports season. This does not agree with the policy interpretation and 1996 clarification of a “participant” as stated in the NCAA’s “Guide to Equity and Title IX in Intercollegiate Athletics” which includes athletes who are listed on the NCAA squad lists as of the first date of competition and are regular participants during a sport’s season. The Title IX proportionality test results above could be more in alignment with the 1% variance if the university reported its member participants using the definition from the 1996 policy interpretation.

Part 106 of Title 34 Education Code of Federal Regulations states that a recipient of federal funds that also awards athletic scholarships or grants-in-aid must provide reasonable opportunities for such awards for members of each sex in proportion to the number of students of each sex participating in intercollegiate athletics. This was further clarified in a Dear Colleague Letter prepared by the U.S. Department of Education’s Office of Civil Rights in July 1998. This letter indicates that the
2. Athletic Financial Assistance (cont.)

Test for determining whether scholarship budgets are "substantially proportionate" to the respective participation rates of athletes of each sex has a high threshold of only plus or minus a 1% variance after accounting for all legitimate nondiscriminatory reasons for disparities provided by the college.

Recommendation

Prepare a formal analyses of athletic financial assistance by gender proportionality at least annually. Reassess the manner in which athletic participants are calculated for this analysis based upon the policy interpretation and 1996 clarification of a participant as stated in the NCAA’s “Guide to Equity and Title IX in Intercollegiate Athletics” to ensure the results of the analysis are accurate.

Based on the results of the analysis, take the necessary steps to ensure athletic scholarship amounts are substantially proportionate (i.e. within +/- 1%) of the corresponding athletic participation rate for each gender and that any legitimate nondiscriminatory reasons for larger disparities are well documented in support of the excess difference in the percentages as required by Title IX regulations.

Management’s Response

We appreciate the education we received during the review and will adjust our scholarship allocations accordingly. Our department had previously allowed each sport to provide the maximum number of scholarships permitted by the NCAA. As a result of the review, we will begin preparing a formal analysis of athletic financial assistance by gender proportionality at least annually starting by February 2014. Based on this analysis, adjustments will be made as needed to keep scholarship dollars for both males and females within the required plus or minus one percent as compared to the participation rate. Documentation for legitimate nondiscriminatory reasons will be maintained in support of any excess difference in the percentages.

3. Grievance and Investigation Procedures

Observation

Several modifications or additions are needed to the university’s grievance and investigation procedures to comply with the detailed Title IX guidance provided within the U.S. Department of Education’s Office of Civil Rights (OCR) April 2011 Dear Colleague Letter. For instance, the specified time frame in which the parties may file an appeal related to the disciplinary decision and the process for providing periodic status updates to both
parties should be included in the university’s “Civil Rights Complaint Procedure” along with the following statements:

- Prohibited sexual harassment includes sexual violence along with examples of the types of conduct that sexual violence covers.

- Both parties will be allowed similar and timely access to any information that will be used at the hearing and have equal opportunity to present relevant witnesses and other evidence as well as have legal counsel present during any stage of the investigation proceedings.

- Disclosure of information can be made to the harassed student about the sanction imposed upon a student who was found to have engaged in harassment when the sanction directly relates to the harassed student.

Corresponding steps related to the above statements should be added to the university’s “Procedure for Addressing Alleged Violations of Title IX.” Additional investigative steps are also needed within this procedure to ensure that all complainants are aware of their Title IX rights and the options to avoid contact with the alleged perpetrator, including allowing students to change academic or living situations. Also, steps to inform the claimant of university resources available such as counseling, health, and mental health services, and the right to file a complaint with local law enforcement should be added. The current step to notify the University Police Department upon notification of an alleged Title IX violation should be reassessed based upon existing laws and regulations that may limit the reporting of these incidents for adults (18 or over).

In addition to the above, a statement should be included in all sexual harassment and sexual violence information provided to students and employees indicating that the school’s primary concern is safety, that any other rules violations will be addressed separately from the sexual violence allegation, and that use of alcohol or drugs never makes the victim at fault for sexual violence. Consideration should also be given to adding language to a Memorandum of Understanding (MOU) between the university and local law enforcement to ensure that these external parties know the university’s Title IX responsibility to investigate and resolve Title IX complaints promptly and equitably.
3. Grievance and Investigation Procedures (cont.)

**Recommendation**

Modify the university’s grievance and investigation procedures and processes to ensure compliance with Title IX requirements including those within the OCR’s Dear Colleague Letter. Update these procedures as needed going forward based on new Title IX requirements or changes to existing processes. Make any corresponding changes to existing forms or checklists used in conjunction with these procedures.

**Management’s Response**

*Management is in agreement with the above recommendation.*

*By September 2013, the university’s grievance and investigation procedures and processes will be amended to ensure compliance with Title IX requirements, including those within the OCR’s Dear Colleague Letter.*

*These procedures and processes will be updated on an ongoing basis, as needed, to comply with new Title IX requirements, and corresponding changes will be made to new or existing forms as well as checklists used in conjunction with these procedures.*
BASIS OF REVIEW

Objective

Determine if processes and controls are in place to provide assurance that the university is in compliance with Title IX regulations in the areas of grievances and investigations; intercollegiate athletics; and STEM academic programs.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Title IX of the Education Amendments of 1972; 34 C.F.R. Part 106 “Nondiscrimination on the Basis of Sex in Education Programs or Activities Receiving Federal Financial Assistance;” Dear Colleague Letters issued by the U.S. Department of Education’s Office of Civil Rights in July 1998 and April 2011; the 2012 Federal Sentencing Guidelines Manual; West Texas A&M University Rules and 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 mission of the university’s Title IX compliance program is to ensure the university fulfills its commitment of creating and maintaining a community in which all persons who participate in university programs and activities can work together in an atmosphere free of all forms of harassment, exploitation, or intimidation, including sexual harassment. Compliance with requirements of Title IX of the Education Amendments of 1972 is the method the university uses to ensure this mission is achieved which includes designating a Title IX coordinator and Title IX investigators as well as establishing various policies and procedures and
providing training to address sexual harassment and other forms of
gender discrimination.

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Third Quarter Report for Fiscal Year 2013

TEXAS A&M INTERNATIONAL UNIVERSITY

Review of Federal TRIO Programs

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20131601
PROJECT SUMMARY

Texas A&M International University’s processes and controls over the federally funded TRIO programs provide reasonable assurance that the programs are managed in compliance with relevant policies, regulations and rules. The university currently manages two TRIO programs, the Student Support Services (SSS) Program and the Upward Bound Math and Science (UBMS) Program. Reviews of both programs’ expense reimbursement draw downs and funding transfers resulted in no exceptions. Program services are provided by the university as required in the TRIO grant awards. In addition, student participants and program expenditures reviewed adhered to established criteria. Opportunities for improvement were identified regarding automation of indirect cost calculations and the development of university research rules and procedures.

The TRIO programs are governed by Title 34 of the Code of Federal Regulations Parts 645 (UBMS) and 646 (SSS). The fiscal year 2012 SSS and UBMS awards totaled approximately $247,500 and $242,000, respectively.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Indirect Cost Calculations

Observation

While indirect cost (IDC) calculations for both the SSS and UBMS Programs were accurate, the timeliness of the IDC billings was inconsistent. In addition, the IDC expenditures were not accrued in the fiscal year in which they occurred. It was noted that changes to the IDC calculation process occurred in fiscal year 2012 which resulted in delays; however, inconsistencies in the timeliness of IDC calculations were noted throughout the terms of the TRIO program awards even outside of fiscal year 2012.
IDC calculations are also being performed manually which has an innate risk of human error. Efficiencies could be gained by utilizing the Financial Accounting Management Information System/Sponsored Research (FAMIS/SPR) module to automatically calculate IDC and produce billing reports for the grants on a regular basis. Automation of this process could assist management in making more timely draw downs, thus reducing the risk that federal funds would become unavailable and revert to the U.S. Treasury.

The Grant Award Notice for both TRIO programs includes the following:

“Grantees need to be aware that, by law, Federal funds are available for grantees to draw down for only a limited period of time, after which the funds revert to the U.S. Treasury. In some cases grantees have requested funds too late for the Department to be able to pay the grantees for legitimate costs incurred during their project periods.”

University management has expressed interest in utilizing the FAMIS/SPR module for IDC calculations and billings and anticipates this to be in place by the end of fiscal year 2013.

**Recommendation**

Automate the IDC calculation and billing process through use of the FAMIS/SPR module. Ensure, through the automation process, that IDC billings are performed on a regular basis and subsequent draw downs for reimbursement are made timely. Additionally, at each fiscal year-end, perform a year-end accrual entry that includes both direct and IDC expenses incurred that have not yet been reimbursed.

**Management’s Response**

*Texas A&M International University agrees with the proposed recommendations. The automated IDC calculation and billing process within the FAMIS/SPR module was successfully tested in May 2013, and will be fully implemented for all IDC-eligible grant accounts by the end of the current fiscal year (August 31, 2013). Thereafter, the IDC automation process will be performed monthly, with the corresponding draw downs for IDC expenses processed at the beginning of the following month. Additionally, the year-end accrual entry will include direct and IDC expenses.*
2. University Research Rules and Procedures

**Observation**

The university has not developed all research rules and procedures as required by A&M System policies and regulations. There are currently seven A&M System policies and regulations in place as listed below that require development of a related rule and/or procedure at the individual university or agency level:

- **Policy 15.01 Research Agreements**
- **Regulation 15.01.01 Administration of Sponsored Agreements – Research and Other**
- **Regulation 15.01.02 Federal Procurement Integrity Act**
- **Regulation 15.01.03 Financial Conflicts of Interest in Sponsored Research**
- **Policy 15.02 Export Controls**
- **Regulation 15.99.01 Use of Human Participants in Research**
- **Regulation 15.99.03 Ethics in Research, Scholarship and Creative Work**

Currently only one research rule, Rule 15.01.03.L1 Financial Conflicts of Interest in Sponsored Research, has been approved and is in place at the university.

While the A&M System policies and regulations and related university rules and procedures do not specifically provide guidance for the TRIO programs, they do provide a sound framework for university research functions in general. The lack of research rules and procedures results in insufficient official guidance for employees which in turn may lead to noncompliance with laws, policies and regulations. Without adequate guidance, risks associated with noncompliance will continue to increase with the growth of the university research program.

University management noted the required rules and/or procedures are either pending or in varying states of internal review.
Recommendation

Continue efforts to develop and finalize all research related rules and procedures required by A&M System policies and regulations. With the assistance of the A&M System Office of General Counsel, determine if internal procedures currently in place over research functions may be sufficient to address certain procedures required by A&M System policies and regulations.

Management’s Response

Efforts to develop and finalize all research-related rules and standard administrative procedures (SAPs) are ongoing, and it is the university’s intention to have these written and submitted to the A&M System for approval (rules) or written, approved and posted SAPs by August 31, 2013. The following rule and SAP have been completed:

- 15.01.02.L1.01 – Federal Procurement Integrity Act has been posted.
- 15.99.03.L1 – Ethics in Research, Scholarship and Creative Work is pending A&M System approval.

The remaining research rules and SAPs have been written and are in the process of internal review and approval.

BASIS OF REVIEW

Objective and Scope

The review of Federal TRIO programs at the university focused on management of the programs as required by federal regulations and other applicable requirements. The audit period focused primarily on activities from September 1, 2009 to December 31, 2012. Areas reviewed included research rules and procedures; draw down processes; program funding transfers; IDC calculations; availability of required program services; and whether program participants and expenditures met program requirements. Fieldwork was conducted from January to April, 2013.
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 Code of Federal Regulation (CFR), Title 34, Parts 645 (UBMS) and 646 (SSS); 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

Texas A&M International University Grants and Contracts manages approximately 70 sponsored projects accounts. The TRIO programs are federally funded through the U.S. Department of Education. The two TRIO programs currently in place at the university include:

Student Support Services (SSS) Program – The program provides academic assistance to eligible undergraduate students including tutoring, counseling, remediation and other support services. This program has been in place at the university since fiscal year 2001.

Upward Bound Math and Science (UBMS) Program – The program is designed to help prepare high school students with the tools they need to enter college programs in the fields of math, science, technology, and/or engineering (STEM). This program has been in place at the university since fiscal year 2010.

The SSS award has a five-year term ending in August 2015 while the UBMS award has a four-year term ending in August 2013. New funding is provided each year of the award term. Functionally, the TRIO Programs report to the Office of the Provost; however, daily operations are managed by the Office of Grants and Contracts.
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