The Texas A&M University System Internal Audit Department  
Third Quarter Report  
Fiscal Year 2015

TABLE OF CONTENTS

**TAB I**

<table>
<thead>
<tr>
<th>REPORT</th>
<th>West Texas A&amp;M University</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Financial Management Services</td>
</tr>
</tbody>
</table>

**TAB II**

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University System Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Single Sign-On System-wide Applications</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of International Student Admissions and Student Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Special Events Safety Processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M AgriLife Research</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Off-Campus Agriculture Animal Care and Use Compliance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University System Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Treasury Services - Cash and Investments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Review of Animal Care and Use Compliance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Texas A&amp;M University – Corpus Christi</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Learning Management System General and Application Controls Review</td>
</tr>
</tbody>
</table>
Third Quarter Report for Fiscal Year 2015

WEST TEXAS A&M UNIVERSITY

Review of Financial Management Services

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

Project #20151801
Overall Conclusion

Significant improvements are needed in the management and oversight of financial management services' operations at West Texas A&M University. The loss of experienced staff along with insufficient documentation of financial management processes and no formal accountability and feedback system for the Business Office has resulted in a weak system of controls over the university's financial management service areas. Significant weaknesses in controls and noncompliance were noted in the areas of financial reporting, accounts receivable, and reconciliations. Improvements are needed in these areas to ensure that the university's resources are appropriately accounted for and administered in compliance with state and A&M System requirements. Opportunities for improvement were also noted in bookstore deposit timeliness and travel voucher compliance and procedures.

Summary of Significant Results

Management and Oversight

Insufficient management and oversight of certain university financial management processes increases the university's risk of noncompliance and loss due to errors, mismanagement, or misappropriations. The lack of experienced employees and documentation of processes has resulted in weak core internal control processes related to financial reporting, accounts receivable, and reconciliations. There is a no formal system of performance measurement which could provide valuable and timely feedback to management to help identify the existence of weak controls and noncompliance.

Financial Reporting Processes

Financial reporting processes require significant improvement to ensure the accuracy and completeness of financial information. Over 100 manual accounting entries were made during the preparation of the annual financial report (AFR) which is inefficient and greatly increases the risk of errors. Several errors were noted in AFR amounts tested and classification of expenses may not be accurate.
based upon the National Association of College and University Business Officers (NACUBO) reporting guidelines. Financial information is used by external parties to compare universities in regards to performance. Inaccurate financial information could impact the university's ranking and funding, as well as, financial decisions made by university management.

**Student Accounts Receivable Administration**

Accounts receivable collection processes do not ensure outstanding student accounts receivables are collected in compliance with laws and policies. The review found compliance exceptions related to sending out demand letters, referring delinquent accounts for collections, and placing state warrant holds on students. Noncompliance with state laws and policies could damage the university's reputation and increase the risk of loss of university funds. The current student accounts receivable balance totals over $10 million of which $4.5 million was incurred prior to fiscal year 2015 and includes balances from 1987 indicating write-offs are not occurring as required. These weaknesses were also noted in an audit report issued in December 2012.

**Clearing Account Reconciliations**

Reconciliations are not being completed in a timely manner for clearing accounts. The review found a large percentage of clearing accounts tested had not been reconciled within 30 days after the end of the month including seven payroll accounts which had not been reconciled since August 31, 2013. Without timely reconciliations the risks are increased that errors or discrepancies, including potential fraudulent transactions, would remain undetected. In addition, the university did not complete and submit an unclaimed property report to the State Comptroller in fiscal year 2014 as required.

**Summary of Management’s Response**

*University management agrees with the findings and recommendations of the Texas A&M University 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 and a timeline for implementing the review recommendations are identified following the discussion of each notable area.*
Detailed Results

1. Management and Oversight

**Insufficient management and oversight of certain university financial management processes increases the university's risk of noncompliance and loss due to errors, mismanagement, or misappropriations.** The university has experienced turnover in key financial management positions which were held by the same individuals for many years. Based on testwork performed and discussions with Business Office personnel this loss of experienced financial management staff has greatly affected the operations of the Business Office which is responsible for most financial management services’ operations of the university. Procedures are not sufficient for new staff to perform their job responsibilities and/or procedures are not consistently enforced with inadequate monitoring and oversight. The lack of experienced employees and insufficient documentation of processes has resulted in weak core internal control processes related to financial reporting, accounts receivable, and reconciliations.

A formal system of performance measurement has not been implemented for the Business Office to provide valuable and timely feedback to management regarding the financial management operations of the university. Although lists of the accomplishments are maintained, no formal goals, objectives, and performance measures have been developed and implemented for the university’s Business Office. In addition, formal customer satisfaction surveys have not been performed.

The Texas State Auditor’s Office, *Guide to Performance Measure Management*, states that performance measurement serves a number of external and internal purposes including effectively and efficiently managing operations. It further states that managers are strongly encouraged to use performance measurement as an integral part of their strategic and operational management with special focus on customers and how they are best served. The lack of performance measurement processes increases the risk that the Business Office will not effectively meet the needs of the university. In addition, it is difficult to hold departmental management and staff accountable for the performance of their operations without established performance management systems.

**Recommendation**

Improve oversight and monitoring of university financial management services’ operations including those for financial reporting, accounts receivable, and reconciliations to ensure compliance with A&M System regulations and university rules and procedures. Document key financial management processes so that
adequate guidance is available to avoid disruption of operations in the event experienced employees leave. Enforce compliance with these procedures. Establish goals and objectives for the Business Office which align with the goals and objectives of the university. Develop specific measurable performance targets to evaluate the achievement of these goals and objectives. Monitor performance measures on a routine basis and effectively communicate results to management and customers. Develop and implement formal customer surveys as part of the performance management system for the Business Office to obtain feedback from departments.

Management's Response

Management agrees with the findings and recommendations to improve the oversight and monitoring of the university’s financial management services' operations including those of financial reporting, accounts receivable, and reconciliations. All key financial management processes including but not limited to those mentioned above will be documented individually with step-by-step procedures. Monthly and some quarterly deadlines for all key financial management processes will be published in the procedures. These procedures and relative deadlines will be reviewed with the responsible employee during their annual evaluations. Metrics, which can be as simple as “Timely Completion of Reconciliation” or standard financial ratios, will be required of all employees responsible for the key financial management processes and reported to their supervisor on a monthly basis. These reported metrics will be summarized by the Associate Vice President and Controller and reported to the Vice President on their monthly report.

- Step-by-step procedures will be completed by March 31, 2016.
- Deadlines will be established by August 31, 2015.
- Metrics will be identified and reported on by August 31, 2015.

Specific measurable performance targets will be developed by the Accounting and Business Office team. These performance targets will align with the goals and objectives of the university. The results of performance measurement monitoring will be shared with university management and the university community. The Accounting and the Business Office as well as the whole Office of Budget and Finance will send out an annual customer survey. This survey will become part of the metrics used by management.

- Develop specific and measurable performance targets that align with the goals of the university were completed on August 1, 2015.
- The performance targets will be shared with management and the university community by November 30, 2015.
A customer survey will be produced and sent out on an annual basis by February 28, 2016.

2. Financial Reporting Processes

Financial reporting processes require significant improvement to ensure the accuracy and completeness of financial information. The financial reporting processes determined to require the most improvement include those related to the use of manual adjusting entries, the accuracy of the annual financial report amounts, and proper classification of expenses based upon National Association of College and University Business Officers (NACUBO) reporting guidelines.

Manual Entries
More than 100 manual accounting entries were required when preparing the university's annual financial report (AFR). The university uses a different financial accounting system (Colleague) than the Financial Accounting Management Information System (FAMIS) used to generate the annual financial report for the A&M System. This results in the need to upload and adjust data between these systems which greatly increases the complexity of the financial reporting process. Some of these manual accounting entries are needed due to changes over time which has resulted in the Colleague data no longer feeding correctly into FAMIS. There is not a sufficient understanding of the purpose for many of these manual entries by Business Office staff to resolve this issue. The prior employee who prepared the AFR had many years of experience with this process and did not leave sufficient information explaining why the entries were needed.

Use of many manual entries greatly increases the risk of errors and is inefficient given the effort needed to identify and create these entries especially if errors are made which then have to be corrected, further increasing the inefficiency of the process.

Annual Financial Report Accuracy
Errors were noted in the accuracy of the university's fiscal year 2014 annual financial report. Due to an error in the posting of meal plan revenue by software used within Residential Living as well as an error in the calculation of the fiscal year-end deferred revenue adjustment, deferred revenue was under reported by $2,694,087.23, meal plan revenue was over reported by $2,152,226.00, and student accounts receivable was under reported by $541,861.23. NACUBO function expense amounts tested also did not have supporting documentation which agreed with the amount reported on the AFR.
NACUBO Expense Classifications

Large variances were noted when comparing university expenses by NACUBO category from fiscal year 2011 through 2014 with corresponding NACUBO expense categories for six similar A&M System universities. These six universities include Tarleton State University, Prairie View A&M University, Texas A&M University – Corpus Christi, Texas A&M University – Kingsville, Texas A&M International University, and Texas A&M University - Commerce. West Texas A&M University expense categories which varied 25% or more from those of the majority of the six similar A&M System universities included Student Services expenses (45%); Public Service expenses (39%); and Academic Support expenses (25%). NACUBO expense classifications are set when accounts are first established in Colleague and older accounts may have had different NACUBO classification requirements. No review has been performed of these older accounts to make adjustments to the NACUBO classification settings to ensure they remain accurate.

Financial information including NACUBO expense classifications is used by external parties to compare universities in regard to performance. Inaccurate financial information could negatively impact the university's ranking and funding. A fiscal year 2014 AFR workshop presentation performed by the A&M System Office of Budgets and Accounting stated that NACUBO functions have received more emphasis each year and are being used to evaluate institutions nationally including within the National Center for Educational Statistics Integrated Post Secondary Education Data System (IPEDs) Reporting.

Recommendation

Obtain a greater understanding of the manual entries currently performed within the university’s financial reporting process to ensure the accuracy of these entries and the corresponding amounts included on the university's AFR. Work with the A&M System Offices to determine how FAMIS generates the AFR in order to make adjustments in Colleague to eliminate these manual entries to the extent possible. Implement additional reviews of the AFR balances to ensure amounts reported are accurate.

Reassess the accuracy of the accounts mapped to the NACUBO expense classifications that appear unusually high or low based on the comparison to other similar A&M System universities.

Management’s Response

Management agrees with the findings and recommendation to gain a better understanding of the manual entries within the FAMIS system during the AFR.
process. While management understands manual entries are required for some of the AFR schedules (Cash Flow Exhibit V), it is understood that improvement is needed. WTAMU will evaluate each set of manual entries and be in discussion with the System Offices to review which entries can be mapped properly into FAMIS AFR by journal entry in the university system – Colleague. WTAMU will produce queries and fluctuation reviews to ensure completeness and accuracy of the financials.

- Review of manual entries will be completed by August 31, 2015.
- Produce queries and fluctuation reviews will be completed by August 31, 2015.

Management also agrees that all accounts need to be reviewed for NACUBO function accuracy. NACUBO functions are affecting not only the university’s AFR but also the budget process. Management will assemble a task force to review all current accounts within the current Chart of Accounts following the NACUBO FARM manual (Financial and Accounting Reporting Manual) guidance and produce an adequate questionnaire for requests of new accounts.

- Assembly of task force to review all accounts was completed on August 1, 2015 with completion of project by May 31, 2016.
- Produce “New Account Request and Questionnaire” was completed on July 31, 2015.

3. Student Accounts Receivable Administration

Accounts receivable collection processes do not ensure outstanding student accounts receivable are collected in compliance with laws and policies. The university has procedures to provide guidance on collecting student receivables including sending out demand letters, referring delinquent accounts for collections, and placing state warrant holds on students. However, these procedures are not consistently followed. Collection efforts for past due student receivables were not timely. Spring and summer 2014 demand letters associated with delinquent student accounts were sent 154 days after the deadline noted in the university’s accounts receivable procedures and second demand letters have not been sent as of the time of audit fieldwork. In addition, first and second demand letters associated with delinquent student accounts for the fall 2014 semester had not been sent at the time of fieldwork.

Delays in sending demand letters have also delayed the ability to send delinquent accounts to collection agencies in a timely manner. In addition, the process related to placing state holds has not been properly implemented due to issues encountered when acquiring a hold reason code in the state comptroller’s
accounting system. The current student accounts receivable listing totals over $10 million of which $4.5 million was incurred prior to fiscal year 2015. The listing includes balances dating back to 1987 indicating write-offs are also not occurring as required.

The university’s student accounts receivable procedures require that first demand letters be sent to students 30 days after the student account becomes delinquent and second demand letters be sent 30-60 days after the first demand letter. Within two months after the second demand letter, student accounts that remain delinquent are required to be turned over for collection and within two months after referring accounts for collection, student accounts for which no response has been received will have state holds placed on them. After collection efforts have been exhausted and it is determined that a student account is uncollectible, the account is to be written off. A&M System Regulation 21.01.04 Extension of Credit and Texas Administrative Code Title 1, Part 3, § 59.2 Collection Process further state when the debt is determined to be delinquent, system members should utilize the state comptroller’s warrant hold process to ensure payments are not issued to the individual or entity that is indebted to the state.

Delays in collecting student accounts receivables could result in a loss of university funds. Failure to properly place state holds for delinquent accounts could result in the state improperly releasing funds to the student debtor.

Recommendation

Improve the university’s processes for the collection of student accounts receivable to ensure compliance with A&M System regulations and university rules and procedures. Processes should include establishing a hold reason code in the state comptroller’s accounting system for properly placing state holds for delinquent student accounts and writing off older, uncollectible student accounts. Increase the level of management oversight and monitoring to ensure accountability.

Management’s Response

Management agrees with the findings and recommendation to improve the processes for the collection of student accounts receivable in order to comply fully with all A&M System regulations and university rules and procedures. The accounting position responsible for collections had been vacant since October 2014; however, an employee was hired the first part of June. Improvement or implementation of processes will become a top priority for the new employee. Establishing a hold code at the comptroller’s office will be completed in order to
strengthen the university’s leverage on outstanding balances. The aged student accounts receivable schedule will be reviewed and outstanding balances not within reasonable terms will be written off the University ledgers. Procedures and processes will be strengthened to ensure this occurs periodically and is reviewed and approved by the vice president. Procedures and processes will also be established or current versions strengthened for uncollectible student accounts. Student account receivable balances will be reviewed and approved semi-annually by both the controller and the vice president. The collection process will be documented and followed timely, including the issuance of first and second demand letters and the placement with both collection agencies.

- Establishing a hold code at the state comptroller’s office will be completed by January 31, 2016.
- The adjustment to the aged accounts receivable ledger will be completed by September 20, 2015.
- Student accounts receivable balances will be reviewed and approved by August 31, 2015.
- All account balances from 2014 will be placed on an institutional payment plan or placed with the first credit agency by October 31, 2015. This includes issuance of the first and second demand letters.

4. Clearing Account Reconciliations

Reconciliations are not being completed in a timely manner for clearing accounts. Ten of 12 (83%) clearing accounts tested did not have reconciliations completed within 30 days after the end of the month including seven payroll account reconciliations which have not been completed since August 31, 2013. Periodic reconciliations are necessary to identify differences between two or more sets of records or systems so that actions can be taken to resolve any discrepancies or outstanding items in a timely manner. Monitoring should include procedures to ensure reconciliations are performed accurately and timely, all differences are explained, and reconciling items are cleared in an appropriate timeframe. Without adequate review and monitoring procedures, the risks are increased that errors or discrepancies, including the potential for fraud would remain undetected.

The university did not complete and submit an unclaimed property report to the state comptroller in fiscal year 2014 as required by Texas Property Code, Title 6, Unclaimed Property. The unclaimed property report is required to be completed annually by July 1 to send information on unclaimed items, such as old outstanding checks on bank reconciliations, to the state comptroller for resolution.
Recommendation

Improve the university’s processes for performing reconciliations to ensure they are accurate and timely, all identified differences are adequately explained and all outstanding items are cleared in a timely manner. Complete unclaimed property reports annually and remit old outstanding checks to the state as required. Increase the level of management oversight and monitoring to ensure accountability.

Management’s Response

Management agrees wholly with the recommendations to improve the process for performing reconciliations that are timely and accurate, ensuring all differences are explained completely and outstanding items are cleared in a reasonable timeframe. Procedures for completing clearing account reconciliations in a timely manner will be enforced with a due date of the 25th of the following month. Each reconciling item must have a reasonable explanation and be cleared no later than the third month of first appearing on the reconciliation. The Director of Accounting will review and approve each reconciliation and report any noncompliance to the controller on a monthly basis. Reconciliation noncompliances will be a metric and reported monthly to the vice president.

The Unclaimed Property Report filed annually with the State of Texas will be reviewed and approved by the controller before submission. All unclaimed property (payroll and accounts payable checks) will be submitted with the report each June 30. The controller will report the submission to the vice president on their monthly written report.

- Clearing account reconciliations are being brought current with a due date of August 31, 2015.
- Annual filing of the Unclaimed Property Report was completed on June 30, 2015.

5. Bookstore Deposit Timeliness

**Bookstore deposits are not being made in a timely manner.** All five bookstore deposits tested contained receipts that were not sent to the Business Office daily as required for amounts greater than $200. As a result, the Business Office was late in depositing one of the five bookstore deposits with the banking institution. University fiscal procedures and System Regulation 21.01.02 require deposits to be made daily with the Business Office once the balance on hand exceeds $200 and funds are to be deposited with the banking institution within seven calendar
days of the original date of collection as required by Section 51.003, Texas Education Code.

Delays in sending bookstore deposits to the university's Business Office are primarily due to the bookstore operating in multiple locations. Funds to be deposited must be transported from the off-campus bookstore location in Amarillo to the on-campus bookstore location. Delays in depositing receipts increases the risk of lost or misappropriated funds as well as lost interest earned on funds.

**Recommendation**

Enforce deposit requirements related to the bookstore receipts to ensure compliance with university procedures, System Regulation 21.01.02, and Texas Education Code guidelines. Otherwise, if it is determined that daily deposits cannot be made due to extenuating circumstances and the risk of loss of funds has been mitigated, consider granting an exception to the daily deposit requirement for bookstore receipts.

**Management's Response**

*Management understands the importance of safeguarding all university assets and agrees with the recommendation to enforce deposit requirements of university procedures, System Regulation 21.01.02, and Texas Education Code guidelines. Management will review the issues that are causing the delays in timely deposits and determine if an exception should be granted to the daily deposit requirement.*

- Evaluate issues surrounding the Amarillo Campus Bookstore deposits and how it ties in with the campus bookstore transactions. Management will determine if granting an exception is the best for the university by August 31, 2015.

**6. Travel Voucher Compliance**

**Travel voucher requests are not submitted timely and travel procedures are outdated in some areas.** Testing of 30 travel vouchers indicated that all had proper support and were in compliance with procedures identified with the exception of the timely submission of notification of absences (NOAs) by employees for 15 of 27 (56%) travel vouchers tested that required NOAs. Twelve NOAs were not submitted at least two weeks prior to the trip. Three NOAs were completed subsequent to the trip. The university’s Fiscal Procedures Handbook-Travel Procedures requires that a notification of absence be completed by
employees at least two weeks prior to travel. However, this requirement is not consistently enforced.

The university reimburses employees for lodging and meals based upon the state comptroller’s guidelines for maximum allowable rates; however, university travel procedures do not accurately reflect these guidelines. The lodging and meal travel rates have not been updated in the university’s travel procedures and forms since 2009 and do not agree with the state’s current guidelines.

Recommendation

Enforce current travel procedure requirements for submitting notification of absences at least two weeks prior to travel. Otherwise, reassess the amount of prior notice needed for notification of absences and update travel procedures based on the results of this assessment. Revise travel procedures and the travel voucher form to accurately reflect allowable travel lodging and meal rates as prescribed by state guidelines.

Management’s Response

Management agrees with the findings and recommendation to revise travel procedures and the travel voucher form to accurately reflect the allowable state rates prescribed by state guidelines. Management will review the current travel procedure requirement for submitting notification of absence at least two weeks before travel and adjust accordingly.

- The travel procedures were updated on July 31, 2015 to reflect the state’s current guidelines regarding lodging and meal travel rates.
- The Notification of Absence deadline will be reviewed and adjusted accordingly by August 31, 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to determine if selected financial management services’ areas are operating as intended and in compliance with laws and policies. The review of financial management services at West Texas A&M University focused on financial reporting processes, accounts receivable administration, bank and clearing account reconciliations, working funds, revenue deposits, and purchase and travel vouchers. In addition, analyses were performed of selected procurement card data for potential anomalies. Results of these analyses were provided to management for review and comment. The audit period focused primarily on activities from March 1, 2014 to February 28, 2015. Fieldwork was conducted from April to June, 2015.

Methodology

Our review methodology included interviews, observation of processes, review of documentation, and testing of data using sampling as follows:

- To determine the accuracy of the fiscal year 2014 annual financial report, auditors used professional judgment to select a nonstatistical sample of seven amounts on this report including amounts related to operating revenue, operating expenses, accruals, cash balances, and capital asset balances for testing.

- To determine if reconciliations for bank accounts and clearing accounts were performed timely, properly balanced, contained explanations for all differences noted, and had no outstanding items over a year old unless properly justified, the auditors used professional judgment to select a nonstatistical sample of 15 reconciliations including 3 bank reconciliations and 12 clearing account reconciliations for testing.

- To determine if revenue deposits were completed accurately and in compliance with A&M System regulations and university procedures, the auditors selected a nonstatistical sample of 10 working days through random selection designed to be representative of the population for testing of deposits. For testing specific to the timeliness of deposits, one of the 10 deposit dates was selected for detailed testing of all deposit receipts.

- To determine if working funds were properly accounted for, the auditors used professional judgment to select a nonstatistical sample of the two largest working funds for testing.
• To determine if purchase vouchers contained proper supporting documentation and were in compliance with laws and policies, the auditors selected a nonstatistical sample of 20 purchase vouchers primarily through random selection designed to be representative of the population for testing. Auditors used professional judgment to select an additional sample of the 10 largest purchase vouchers for testing.

• To determine if travel vouchers contained proper supporting documentation and were in compliance with laws and policies, the auditors selected a nonstatistical sample of 30 travel vouchers through random selection designed to be representative of the population for testing. Auditors used professional judgment to select an additional sample of the 10 largest travelers during the audit period for testing the reasonableness of travel expenditures.

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 Administrative Code §59.2 Collection Process; Texas Property Code, Title 6, Unclaimed Property, Chapter 74, Report, Delivery, and Claims Process; The Texas State Auditor’s Office, Guide to Performance Measure Management, 2012 Edition; Texas State Education Code, Title 3, Chapter 51, Section 51.003 Depositories; West Texas A&M University 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.
Audit Team

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Zahra Brown, CPA
Danielle Carlson, CPA
Mark Heslip, CIA

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Ms. Julie Harvell, Bursar
Dr. Angela Spaulding, Vice President for Research and Compliance and Dean of Graduate Studies
TEXAS A&M UNIVERSITY SYSTEM OFFICES

Review of Single Sign-On System-wide Applications

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

Project #20150107
Overall Conclusion

System Offices’ Enterprise Software Initiatives (ESI) group has implemented controls and processes to manage the Single Sign-On system and interfaces to associated applications. Single Sign-On authenticates access to administrative information systems such as LeaveTraq, TrainTraq, TimeTraq, HRConnect, iBenefits, Concur, and the Data Warehouse. ESI has worked over the last year to allow several members to use their institutional logins to access Single Sign-On and thus, reduce the number of accounts that employees must remember. They have also worked to ensure that authentication mechanisms in place between Single Sign-On and various third-party applications are handled in a secure manner. Although change control procedures are in place and were updated within the last year, ESI is still working to consistently document the various stages of approval and review for application programming changes. Additional work is also needed to address the need for separation of duties between developer and functional roles and to provide additional mechanisms for ESI to obtain user feedback.

Summary of Significant Results

Change Control Process

The change control process over updates to Single Sign-On applications needs strengthening. Of the 30 changes reviewed, six did not meet portions of ESI or System Offices’ change control procedures. Change control is a formal process used to ensure that changes to an application or system are introduced in a controlled and coordinated manner. Without adequately managing and documenting the application change process, changes could be made that do not represent application users’ priorities, meet the users’ needs or in some cases, introduce faults or faulty data into the system.
**Summary of Management’s Response**

ESI management agrees that a more complete implementation of standardized change control processes and additional documentation of changes to IT resources could provide improved management of those resources. Enhancing the capabilities of our support organization so that software developers can reduce their involvement in operations and support would benefit the System IT by providing additional separation of duties. Also, ESI will provide our user community with a regular, formal channel through which feedback about our services can be provided.

**Detailed Results**

1. **Change Control Process**

   The change control process over updates to Single Sign-On applications needs strengthening. A sample of 30 changes was selected from the Single Sign-On system and two associated applications, iBenefits and HRConnect. The sample included the two major releases made during the audit period and 28 minor changes and hot fixes. For one of the two major releases reviewed, weaknesses were noted including a lack of initial owner approval; detailed scope of work not defined; testing plan not established to set project milestones; owner acceptance obtained after the change was moved to production; and required project information was not documented.

   For five of 28 minor releases and hot fixes reviewed, authorization to carry out changes to Single Sign-On applications was not documented in the work order system. ESI did not have a consistent document trail of request authorizations for minor fixes or exception verbiage for hot fixes initiated by ESI staff. In addition, there was no “lessons learned” or other post-implementation documentation completed for Single Sign-On application changes.

   Within the last year, ESI updated their “ESI Application Change Control Procedures” document to include change control procedures for major, minor and hot fixes. The procedures cover requirements including authorization of change requirements, testing, approval, and logging requirements. A work order system is

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<td>Major Release</td>
<td>A planned release, normally includes multiple new requirements</td>
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<td>and/or change requests, and delivers significant new functionality to business users.</td>
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<td>Minor Changes</td>
<td>Normally deals with one or a few relatively minor bug fixes</td>
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<td>or feature changes.</td>
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<td>Hotfixes</td>
<td>A code, production data, application configuration or server</td>
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<td>configuration change that corrects a problem with existing</td>
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<td>functionality or data, typically in response to a</td>
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<td>“live” support request.</td>
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used to document and track the changes. However, in the instances noted above, the ESI group did not capture adequate documentation within the work order system to meet change control process requirements for major releases, minor changes and hot fixes. Also, post-implementation documentation is not factored into the ESI change management process. System Offices Standard Administrative Procedure 29.01.99.S1.07, *Information Resources - Change Management*, specifies the requirements for post-implementation documentation, analysis and "lessons learned."

Without adequately managing and documenting the application change process, changes could be made that do not represent the priorities of the application owners or of the ESI supervisor. Changes could also be moved into production before the owners have tested and approved them to ensure that initial requirements were met, as well as, introduce faults or faulty data into the system.

**Recommendation**

Adhere to ESI Application Change Control Procedures for the documentation of major releases regarding owner authorization, formal project requirements, testing plans, owner approval of changes, and logging of required project documentation. For minor releases and hot fixes, clarify the request authorization process and specify the documentation requirements for each related task. Finally, develop and implement a post-implementation record of "lessons learned" that can be used in preparation for future changes or in future problem or incident handling.

**Management’s Response**

*ESI management accepts that the change control process can be strengthened and needs some clarification. ESI will review and revise the change control procedures. For major releases and projects, a lessons learned document will be created and shared with the project team members and the resource owner. Management will continue to monitor adherence to the change control procedures in place today. Management also accepts the recommendation that ESI should have more completely captured documentation of changes to applications. The currently documented change procedure has been in place for less than one year and we believe that compliance with this procedure is maturing and improving. Additionally, System Enterprise Applications (SEA), of which ESI is a part, is now implementing ServiceNow’s Change Request application. By conforming to ServiceNow’s ITIL-driven processes, ESI will ensure that the documentation and approval of future application changes meet the requirements described in our change control procedures. Implementation Date: 10/31/2015*
2. **Developer with Functional Role**

An application developer/programmer created an invalid entry into an employee’s benefit record that required manual removal by a database administrator. This occurred when the developer was performing validation testing in the production environment and accidentally saved the entry being tested. The developer had a functional role with administrator rights in the iBenefits system and was using that functional role in the production system to try to duplicate a reported error.

The functional area (Benefits Administration) has only one person, the Director, who has the necessary knowledge of the system and the administrator functional role to address similar issues. Therefore, the developer serves as the functional backup. The test environment was not used since it was not populated with current data and the ESI Database Administrator was working on other assignments and did not have the time to update the iBenefits test environment. The developer estimated that it could have taken approximately four hours to update the database.

When developers have the ability to test or make unauthorized changes to production data, the integrity of the data is affected. Therefore, developers should not have functional update access to the production database. All changes should be tested in a separate test environment.

**Recommendation**

ESI developers should not serve in functional roles in the individual applications that they maintain.

Conduct all developer testing in a current test environment.

**Management’s Response**

The ESI team accepts the recommendations that we should be less involved in the operation of our applications in production and that troubleshooting should be performed in a test environment whenever possible. As a result, all non-essential, business-related roles with update permissions have been removed from ESI personnel. Going forward, specific roles may be granted on a case-by-case basis for a 24-hour period to enable troubleshooting in situations when access to the production environment is required. Additionally, the SEA support group (which does not have developer rights) will conduct a quarterly review of functional roles held by ESI personnel. Management also believes that a strong support organization
is required to handle more of the support tasks currently performed by developers. We will take steps to ensure that the support organization is strengthened and properly staffed.

Implementation Date: 10/31/2015

3. User Feedback

**ESI does not use surveys or other user satisfaction measurement tools to solicit feedback from its users.** They rely primarily on indirect feedback from users and input from the Assistant Director of Human Resources at Texas A&M University who serves as the system-wide liaison for Single Sign-On and HRConnect. In previous years, ESI relied on system-wide surveys that were sent out by the System Offices which were discontinued several years ago.

While the current indirect feedback is valuable, a structured, regularly scheduled user satisfaction tool provides for consistent input from users. Possible feedback could include issues concerning ease of use, difficulties experienced, and suggestions on product enhancement.

**Recommendation**

Create and distribute user surveys or other user satisfaction measurement tools periodically to users of Single Sign-On and related applications. Analyze and evaluate the feedback to identify opportunities for improvement.

**Management’s Response**

Although management believes that we receive continuous feedback through our support organization – as well as via direct communication with the ESI team – we accept the recommendation to provide an avenue for regular and structured feedback.

The ESI team will begin to participate in the regular monthly BPP users meeting. Single Sign-On and related application administrators and stakeholders will be invited to attend these meetings and be given the opportunity to provide feedback. Additionally, a brief annual survey will be conducted to give users the opportunity to submit feedback and comments.

Implementation Date: 10/31/2015
Basis of Review

Objective and Scope

The overall objective of this audit was to evaluate the Single Sign-On and associated system-wide applications to determine if the governance structure, change control procedures, user access controls and logical security controls are in place to ensure that the applications and data maintain integrity and confidentiality. Single Sign-On authenticates access to administrative information systems such as Leavetraq, Traintraq, Timetraq, HRConnect, iBenefits, Concur and the Data Warehouse.

The review of the Single Sign-On system at the A&M System Offices focused on general and application controls. The audit period focused primarily on activities from September 1, 2013 to January 30, 2015. Fieldwork was conducted from February to April 2015.

Methodology

Our review methodology included interviews, observation of processes, review of documentation and testing of application changes using sampling. To determine the completeness of the application change documentation, auditors selected a nonstatistical sample of 30 application changes. Two were selected as the only two major releases during the audit period and the remaining 28 were selected using professional judgment.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; “ESI Application Change Control 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.
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TEXAS A&M UNIVERSITY

Review of International Student Admissions and Student Services

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

Project #20150204
Overall Conclusion

Texas A&M University has established processes and controls over international student admissions and student services that provide reasonable assurance that goals and objectives are achieved in compliance with applicable laws, policies, regulations and rules except for the sponsored international student services program. Significant weaknesses were noted in several areas related to the university’s process for handling sponsored international students. The combination of these process weaknesses creates an ineffective control environment in which noncompliance with applicable policies, errors or misappropriations could occur without detection. Of the university’s 5,700 international students, 550 are in the sponsored international student services program. In addition, opportunities for improvement were noted in the documentation of departmental procedures for international graduate student admission decisions.

Detailed Results

1. Sponsored International Student Services

There are significant weaknesses in the process for handling sponsored international students. Current process weaknesses include noncompliance with information security requirements; lack of appropriate segregation of incompatible duties; inadequate documentation regarding sponsor agreements and third-party billing terms; inefficient records of student and sponsor transactions; inconsistent collection procedures for past due accounts; and inefficient financial account management. The following specific issues were identified:

- Confidential information is transmitted through email without encryption. Student invoices which include detailed student course schedules and, in some cases student grades, are emailed to international sponsors using password protected documents. Detailed student course schedules and student grades are protected confidential information under the Family Educational Rights and Privacy Act. University procedures require that confidential data transmitted as an email message be encrypted. Secure transmission through
encryption reduces the risk of unauthorized access to confidential information.

- Business function duties related to sponsored international student transactions are not appropriately segregated. Student stipend checks and student expense reimbursement payments are initiated by International Student Services (ISS). The printed checks are transferred to ISS where they are manually distributed to the students. ISS initiates these transactions, has physical custody of the checks, maintains the check distribution records, and prepares and sends invoices to certain sponsors. Twenty-six monthly stipend checks printed and distributed to students by ISS in April 2015 totaled $38,000. In order to reduce the risk of errors or inappropriate actions, the responsibilities for authorizing transactions, recordkeeping, and handling of the related assets should be segregated.

- The university does not have standard processes in place for sponsored international student billing services including the process to obtain approval for exceptions, and documenting the agreement between the university and the sponsor. Sponsor agreements are maintained; however, they are not consistent and vary in the level of detail regarding billing terms, what student costs are covered, invoice format, and timing of payments. Thirteen of 35 (37%) sponsor agreements reviewed did not specify billing terms. Documented agreements between the university and the sponsors should be consistent and detailed in order to provide for clear communication and understanding of the expectations and responsibilities of both parties.

- The university’s process for handling transactions and related recordkeeping for international student sponsorships and billing records is inefficient. Transactions are processed through multiple systems with no single system having a complete record of all transactions for the individual student. Transactions for tuition and fees are processed through the students’ accounts in Compass, the student information system. Transactions for student stipends and expense reimbursements are processed through the TAMU purchasing system, AggieBuy, and other expenses not paid to the student are processed through the Financial Accounting and Management Information System (FAMIS), the financial accounting system. These transactions are manually posted into sponsor accounts in Compass. Without a complete record of all transactions for the individual student originating in a single system, there is duplication and risk that the sponsor will not be billed for all payments made to the student on their behalf.

- ISS issues documents for obtaining visas to international students at all TAMU campuses except for students attending the English Language Institute (ELI)
at the College Station campus on F-1 visas. The English Language Institute also issues visa documents for a limited number of international students and maintains files with sponsor agreements showing financial support instead of using ISS. Allowing ELI to issue its own visa documentation creates inefficiencies and additional risks for the university that could be eliminated if ISS handles all international student needs.

- There is no standard process in place to manage sponsored international students’ accounts receivables when sponsor payments are past due. The sponsor may be several semesters past due without any restrictions or holds placed on the student’s account. Twenty-six percent of past due sponsored international student accounts receivables are for charges from the 2009 to 2012 semesters and have not gone through the normal university student collection processes. Without standard processes in place for timely collection of past due accounts, the risk is increased that funds will not be collected and that the university will not be in compliance with A&M System requirements for outstanding accounts receivables.

- There is no process in place for closing support accounts set up in FAMIS when a student sponsorship ends due to their graduation or other event. ISS had over 400 separate support accounts for sponsored students in FAMIS. Over 350 of these support accounts had zero balances and no activity. Without a process in place to review and close out unneeded accounts, there is an increased risk that unused sponsor funds may not be returned or may be lost due to errors or misappropriations. Maintaining a large number of unnecessary accounts also creates inefficiencies in accounting processes and increases the risk of errors.

The combination of process weaknesses listed above creates an ineffective control environment in which noncompliance with applicable policies, errors or misappropriations could occur without detection. In addition, the lack of consistent procedures creates inefficiencies in operations.

Recommendation

Improve the sponsored international student services procedures to increase the efficiency and effectiveness of processes and strengthen the control environment by:

- Establishing a secure method to transmit student invoices and grades to student sponsors in compliance with university procedures for transmittal of confidential and sensitive information.
Segregating business function duties including the authorizing of transactions, custody of assets and recordkeeping.

Establishing standard processes for sponsored international student billing services including the process to obtain approval for exceptions, and documenting the agreement of sponsor billing services between the university and the sponsor.

Processing transactions through a single system to the extent possible to avoid duplication of efforts, ensuring a complete record of all student transactions are maintained through one system, and developing consistent processes to create and submit sponsor invoices.

Having ISS issue visa documentation for all international students, including ELI students.

Establishing a standard collection process for international students’ accounts receivables when sponsor payments are past due.

Developing a monitoring process to ensure that sponsored international student support accounts are closed in a timely manner.

Updating and maintaining current documented procedures for all aspects of sponsored international student billing services.

Management’s Response

Management agrees with these recommendations and will continue taking steps to improve Sponsored Student Program services and address all of the audit recommendations above. The university has already taken several steps to improve the oversight of these services following the integration of Sponsored Student Programs (SSP) into the International Student Services (ISS) office.

Several of these recommendations have already been completed, including a secure method of transferring files with sponsors, segregating business functions to utilize direct deposit for students, a standard collection process for past due sponsors, and a process for closing old support accounts. Other recommendations (i.e., establishing standard processes for sponsored international student billing services, maintaining a complete record of all student transactions in one system, having ISS issue visa documentation for all international students, and updating documented procedures) will take additional time to evaluate and complete, but all will be pursued and
implemented by February 29, 2016. In addition, the university will investigate the implementation of SponsorPoint, a software product used with student billing that may streamline the sponsor invoices and billing process, but this software is not specifically needed to adequately address the audit recommendations.

2. Documentation of Departmental Admission Procedures for International Graduate Students

Departmental procedures for international graduate student admission decisions by academic departments were not well documented. Ten of 16 (63%) academic departments reviewed did not have documented procedures to support the process used by the department to make admission decisions for graduate student applicants. Instructions and procedures for graduate student applicants to follow are documented and available on the department websites. However, the procedures that the department uses to review graduate student applications and make admission decisions are not documented. Documented procedures provide for consistency and continuity in control activities that have been established for achievement of goals and objectives for international graduate student admissions. Without documented procedures, it is more difficult for the academic departments to demonstrate consistency and lack of bias if admission decisions are challenged.

Recommendation

Document the admission decision process for international graduate student admissions at the academic department level.

Management's Response

The Office of Admissions will work with the Office of Graduate and Professional Studies and the Graduate Council to ensure all colleges are aware of the need for each of their academic departments to have a documented decision process for admissions. The Office of Admissions will monitor for appropriate documentation through annual random, spot checks of departments. These changes will be in place by February 29, 2016.
Basis of Review

Objective and Scope

Review controls over international student admissions and student services at Texas A&M University to determine if goals and objectives are achieved in compliance with laws, policies, regulations and rules. The review focused on international student undergraduate and graduate admission processes, international student immigration processes, and the sponsored international student services program. The audit period focused primarily on activities from September 1, 2013 to December 31, 2014. Fieldwork was conducted from March to May, 2015.

Methodology

Our review methodology included interviews, observation of processes, and review of documentation and testing of data using sampling.

To determine compliance with admissions requirements, auditors judgmentally selected nonstatistical samples of five international freshmen admissions, five international undergraduate transfer admissions, and twenty international graduate student admissions designed to be reflective of the population of admitted international students. These samples were also tested for compliance with applicable immigration requirements.

To gain an understanding of sponsored international student services, sponsor agreements, and third-party billing processes, auditors judgmentally selected a nonstatistical sample of twenty international student sponsors and a nonstatistical sample of twenty sponsored international students designed to be representative of the population of international student sponsors and the population of sponsored international students.

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 Standard Administrative Procedures; the Treadway Commissions’ Committee of Sponsoring Organization’s Internal Control – Integrated Framework (COSO); 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.

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The Texas A&M University System Internal Audit Department

Third Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY

Review of Special Events Safety Processes

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

Project #20150203
Overall Conclusion

No safety or security issues were noted during our review of third-party special events; however, due to the decentralized nature and lack of documented agreements there is a significant risk that third-party special events will not be compliant with special event risk management processes that ensure a safe environment exists for event participants. Additionally, improvements need to be made in the communication with all involved departments, including safety and security, and documented procedures. Consideration of a centralized oversight and a monitoring function over third-party special events would provide additional guidance and consistency of event management throughout the university. It would also serve as a central point of contact and information for third-parties seeking to hold events on the campus.

Detailed Results

Decentralized Special Events Processes

The decentralized nature of the special event responsibilities at the university does not provide a central point of contact for third-parties or university departments to provide consistent guidance and communication for assurance of appropriate event management. Management responsibility of third-party special events risk management processes is currently divided between multiple university departments. In addition, there is no central oversight function for third-party events at the university to determine that safety and security related procedures are carried out consistently. While the university community is concerned about risks associated with third-party special events, reliance is primarily placed upon individuals throughout the campus rather than processes to ensure that a safe environment is maintained.

Documented Agreements

Five of 16 (31%) events reviewed did not have signed agreements between the university and the third-party. Existing third-party agreements were not consistent in contract terms and conditions. Minimum criteria and standard terms and conditions to be included in all third-party special event agreements have not been established by the university. Although the events vary in size, duration, type of event, etc., there are risks that should be addressed for all events such as accident and damage responsibility and event security.
Communication
University departments providing safety and security services were not consistently notified of events. Although university police, environmental health and safety, and medical services may not be needed at all events, the decision on notifying these departments is left up to the individual event coordinators. If the departments providing safety and security services are not made aware of upcoming events, they do not have the option to gather more information or be involved in events that they deem to have safety and security risks which the event coordinator may not have considered.

Documented Procedures
Three of 12 (25%) event venues reviewed did not have documentation of procedures used for management of special events within their department and/or documented crisis management or evacuation plans. Without documented procedures employees may not have the information needed to perform their duties in compliance with established processes.

Recommendation
Perform an overall risk assessment of third-party special events held at the university and provide guidance that addresses the risk associated with these events. Guidelines should include, but not be limited to, the following:

- Minimum criteria and standards for terms and conditions in documented agreements between the university and third-parties.
- Communications of upcoming third-party events to the university safety and security departments to provide the opportunity of assessing related risks and ensuring that appropriate mitigating activities are in place.
- Event procedures template for departments hosting third-party events and ensuring that locations hosting events have contingency plans in place.

Management’s Response

Management will perform a risk assessment of third-party special events to identify and rank risks associated with these events. Based on the risk assessment, management will develop and communicate guidance that includes, but is not limited to, the following:
• Minimum criteria and standards for terms and conditions in documented agreements between the university and third-parties.

• Communications of upcoming third-party events to appropriate university departments, including safety and security departments, to provide the opportunity of assessing related risks and ensuring that appropriate mitigating activities are in place.

• Event procedures template for departments hosting third-party events and ensuring that locations hosting events have contingency plans in place.

Target completion date: January 31, 2016.
Basis of Review

Objective, Scope, and Methodology

The overall objective of this audit was to review the university's management of special events safety processes for third-party events held on the campus to determine that they provide reasonable assurance that a safe environment exists for event participants. For the purposes of this audit, third-party events were defined as events not affiliated with Texas A&M University that were held on the university campus. These events were not controlled and/or organized by the university.

The review of special events safety processes at Texas A&M University focused on written procedures, supporting documentation of third-party special events, and incident trends. The audit period focused primarily on activities from January 1, 2014 to December 31, 2014. Fieldwork was conducted from February to March, 2015.

Our review included interviews, review of documentation, and testing of events. To determine safety and security controls and processes in place for third-party events, auditors judgmentally selected a nonstatistical sample of 16 third-party events such as a concert at Reed Arena, a high school graduation lock-in at Recreational Sports, and a cattle sale at the Beef Center, which occurred at 12 different university venues.

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 Standard 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.
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TEXAS A&M AGRILIFE RESEARCH

Review of Off-Campus Agriculture Animal Care and Use Compliance

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

Project #20150601
Overall Conclusion

Overall, Texas A&M AgriLife Research off-campus agriculture animal care and use activities are in compliance with applicable laws and policies, except for required training being completed by Agricultural Animal Care and Use Committee (AACUC) members. Opportunities for improvement were also noted in the areas of conducting annual continuing reviews of protocols using animals covered by the Animal Welfare Act and development of applicable standard administrative procedures as required by AACUC bylaws.

The AACUC was formed in 2012 and was established to evaluate, oversee and authorize the use of animals in research performed off-campus by AgriLife Research’s thirteen centers. During the audit period, there were fifty-six active animal use protocols at eight centers that were approved by the AACUC.

Summary of Significant Results

Committee Member Training

Required training for AACUC members is not being monitored for completion. Five of nine current AACUC members have not completed the required member-specific training that was mandated in January 2014 by the AACUC. Without proper training there is the risk that AACUC members will not be informed and educated on their AACUC responsibilities which increases the risk for noncompliance with applicable laws and policies.

Summary of Management’s Response

*Texas A&M AgriLife Research agrees with the auditor’s recommendations. Management has taken corrective action to implement all of the recommendations by August 1, 2015.*
Detailed Results

1. Committee Member Training

Monitoring controls are not in place to ensure that AACUC members have completed required member-specific training. Five of the nine (56%) current AACUC members have not completed the training module titled "Essentials for IACUC Members" available on the Collaborative Institutional Training Initiative (CITI) website. According to the November 26, 2013 AACUC meeting minutes, training for AACUC members was mandated to be effective January 2014. All AACUC members are responsible for understanding the regulations governing animal care and use and must be qualified to evaluate the animal care and use program at the institution semi-annually. Without enforcement of training there is the risk that AACUC members will not be informed and educated on their committee member responsibilities, which increases the risk for noncompliance with applicable laws and policies.

Recommendation

Ensure all AACUC members take the required CITI training and monitor for compliance.

Management’s Response

All AACUC members have successfully completed the member-specific training course titled "IACUC Chairs, Members and Coordinators" in CITI. Any new committee member will be required to take this training before assuming an active role on the AACUC.

2. USDA Annual Continuing Review

The animal use protocol involving a USDA covered species is not being reviewed annually. AgriLife Research has only one active animal use protocol that involves an animal species covered by the federal Animal Welfare Act. This protocol was being reviewed every three years like all other animal use protocols approved by the AACUC. Since there is only one protocol that the annual continuing review applies to, AgriLife Research overlooked this requirement. The federal Animal Welfare Regulations (9 C.F.R. Parts 1-4) § 2.31(d)(5) requires continuing reviews of activities covered by the subchapter to be conducted at appropriate intervals, but not less than annually. For purposes of the Animal Welfare Act (7 U.S.C. Subpart C) §2132(g), an animal means any live or dead dog, cat, nonhuman primate mammal,
guinea pig, hamster, rabbit, or any other warm-blooded animal, which is being used, or is intended for use for research, teaching, testing, experimentation, or exhibition purposes, or as a pet. This particular animal use protocol involves white-tailed deer which are covered by the Animal Welfare Act.

**Recommendation**

Develop a process to ensure compliance with annual continuing reviews on animal use protocols involving USDA covered species.

**Management’s Response**

*The AACUC procedure for animal use protocol processing has been updated to include a process to monitor and track continuing reviews required on USDA covered species protocols. In addition, wording has been added to the animal use protocol approval memo indicating when a continuing review is required making the principal investigator aware of this requirement and a separate continuing review approval memo has been developed. Continuing reviews for animal use protocols with USDA covered species were submitted and distributed to the AACUC for review and approval on May 18, 2015.*

3. **Standard Administrative Procedure**

A standard administrative procedure for investigation of concerns regarding animal care and use is not documented as required by the AACUC bylaws. The bylaws state in section 8(d)(i) that the committee shall draft, approve and adopt a standard administrative procedure for receipt, investigation and reporting related to concerns regarding the care and use of animals at covered locations or involving covered activities. This procedure is currently in the draft phase and has not been finalized. Without a documented procedure, risks are increased that concerns regarding animal care and use may not be investigated and reported appropriately.

**Recommendation**

Ensure that all applicable standard administrative procedures, as required by Agriculture Animal Care and Use Committee bylaws, are developed.
Management’s Response

A standard administrative procedure for investigation of concerns regarding animal care and use has been drafted. This standard administrative procedure will be on the June 2015 AACUC semi-annual meeting agenda for consideration and approval by the committee.
Basis of Review

Objective and Scope

The overall objective of this audit was to review controls and processes at Texas A&M AgriLife Research to ensure off-campus agriculture animal care and use activities are in compliance with applicable laws and policies. The selected animal care and use compliance areas reviewed included animal use protocols, training, AACUC membership, AACUC procedures and minutes, semi-annual inspections, and the animal purchasing process. The audit period focused primarily on activities from September 1, 2013 to December 31, 2014. Fieldwork was conducted from March to April, 2015.

The AACUC is responsible for ensuring compliance with all applicable federal, state, and system policies, laws, and regulations. AgriLife Research has thirteen centers outside of the Brazos Valley, with eight centers currently involved in animal research.

Methodology

Our review methodology included interviews, observation of processes, review of documentation, and testing of data using sampling. To determine if active animal use protocols are in compliance with applicable regulations and bylaws, auditors selected a nonstatistical sample through judgmental selection designed to be representative of the population. Auditors selected a sample of ten animal use protocols for review of the protocol review process. To determine if semi-annual inspections are being performed at each research center by appropriate AACUC members, auditors selected a nonstatistical sample through judgmental selection designed to be representative of the population. Auditors selected a sample of three research centers for review of the prior three semi-annual inspections to review controls over semi-annual inspections.

Criteria

published by the Federation of Animal Science Societies in January 2010; 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.

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TEXAS A&M UNIVERSITY SYSTEM OFFICES

Review of Treasury Services – Cash and Investments

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

Overall, Treasury Services' processes provide reasonable assurance that cash and investment funds are adequately protected, managed in compliance with the A&M System's investment policy, and accurately reported. Fund transfer controls, due diligence reviews, internal monitoring and external consultant analysis help ensure a strong control environment over cash and investment funds. Cash and investments of $4.2 billion were accurately reported in the Texas A&M System’s fiscal year 2014 financial statements, as well as the annual performance report presented to the Board of Regents.

Detailed Results

Improvement of Departmental Written Procedures

Departmental written procedures require improvement to ensure they are accurate and complete for fundamental treasury activities. Treasury Services has written procedures; however, there are some activities that require further detail or establishment of a written procedure to ensure processes are consistent and documentation expectations are clear.

Examples of areas for improvement include:

- Custom reports are used by Treasury Services to monitor investment manager compliance with the manager's specific letter of instruction. Procedures address the review process, but do not include procedures to periodically review the report parameters for consistency with the manager's letter of instruction. Also, written procedures do not address updating the monitoring criteria in reports or letters of instruction when A&M System policy updates are made.

- Treasury Services conducts biannual meetings with its 34 investment managers to assist with monitoring and continued due diligence. Written procedures do not include minimum requirements for meetings such as
purpose and topics to be discussed, materials to be reviewed or gathered in preparation of meetings, or required documentation of the meetings.

- Occasionally, Treasury Services determines that a new investment manager should be retained to meet investment strategies. Investment manager selection procedures do not indicate documentation requirements or address variations in process for different types of investment managers. Although a recommendation and its approval is documented, it is difficult to determine the procedures followed as location and dates of meetings or onsite visits are not clearly documented and background information received varies.

- The A&M System annual financial report required by the State Comptroller’s Office includes detailed information on deposits and investments. This information is prepared by Treasury Services. Multiple spreadsheets and data files are used. The spreadsheets do not indicate the source of data or steps taken to determine values that are reported. This process is not documented in a procedure.

Procedures establish actions and control activities that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Without thoroughly documented procedures, the risk addressed by an activity may not be clear and the risk is increased if actions or control activities are not performed consistently or in accordance with management’s expectations.

**Recommendation**

Review and update current procedures to ensure they are accurate and complete in addressing control activities and required documentation. Determine if additional written procedures are needed to document essential Treasury Services’ processes.

**Management’s Response**

*Treasury Services will review and update current procedures to ensure they are accurate and complete in addressing control activities and required documentation related to investments. Also, it will determine if additional written procedures are necessary to document essential Treasury Services processes. This review and documentation will be completed by December 31, 2015.*
Basis of Review

Objective and Scope

Review controls over Treasury Services to determine if processes provide reasonable assurance that cash and investment funds are adequately protected and managed in compliance with the A&M System’s investment policy. Additionally, determine if cash and investment reporting requirements are met, accurate and timely.

The review of Treasury Services at the Texas A&M University System Offices focused on due diligence activities, annual financial and board reporting, segregation of duties for transactions, and contracts to provide services. The audit period focused primarily on activities from September 1, 2013 to December 31, 2014. Fieldwork was conducted from February to May 2015.

Methodology

Our review methodology included interviews, observation of processes, review of documentation, and testing of data using sampling.

To determine sufficiency of due diligence meetings with investment managers, auditors selected a nonstatistical sample through judgmental selection designed to be representative of the population. Auditors selected 15 investment managers for review of due diligence meetings.

To determine if investment manager agreements are properly approved, auditors selected a nonstatistical sample of 15 managers through judgmental selection designed to be representative of the population. In cases where an investment manager has multiple agreements, the most current agreement was reviewed.

To determine if procedures were followed to monitor investment manager letter of instruction compliance, a sample of monitoring reports was reviewed. Auditors used professional judgement to select two months during the audit period to review monitoring reports.

To determine if bank transactions were properly authorized and duties are appropriately segregated, a judgmental sample of 15 bank transactions was selected for review.
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 Comptroller’s Reporting Requirements for Annual Financial Reports of State Agencies and Universities; applicable Government Accounting Standards Board (GASB) pronouncements; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); 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.

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Third Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY

Review of Animal Care and Use Compliance

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

Project #20150202
Overall Conclusion

Texas A&M University’s processes and controls over animal care and use activities provide reasonable assurance that animal research, teaching, and testing activities conducted by system members in Brazos County are conducted in compliance with applicable federal laws and regulations, system policies, and university rules. An effective control environment over animal care and use has enabled the university to manage its risks related to the use or treatment of animals in research, teaching, and testing.

Texas A&M University governs the care and use of animals through the following:

- Institutional Animal Care and Use Committee (IACUC) – this committee is responsible for the oversight, evaluation, and assurance of compliance for the institution’s animal care and use program which includes reviewing and approving all proposed uses of live vertebrate animals in teaching, testing, and research activities and conducting semi-annual inspections of approximately 45 buildings and 920 animal housing or study locations. The IACUC approved 420 animal use protocols during the audit period.

- Animal Welfare Office – this office provides the administrative infrastructure required to support the IACUC’s work to review, approve, and monitor those activities. The Animal Welfare Office is responsible for administering a program of compliance oversight and for maintaining institutional records relating to the university’s Animal Welfare Assurance Program and for coordinating with the attending veterinarian.

- Attending Veterinarian – the attending veterinarian is responsible for the health and well-being of all animals used for research, teaching, and testing activities. The attending veterinarian also directs the Comparative Medicine Program that provides support services for animal research and teaching programs. The program’s facilities and services are available to campus-affiliated faculty, staff and students who have been approved to conduct animal research by the IACUC.
Basis of Review

Objective and Scope

The overall objective of this audit was to review controls and processes at Texas A&M University to ensure animal care and use activities are in compliance with applicable laws and policies. The selected animal care and use compliance areas reviewed included animal use protocols, Animal Welfare Office standard operating procedures, Institutional Animal Care and Use committee membership, and animal purchase and care activities not centrally managed by the Comparative Medicine Program. The audit period focused primarily on activities from September 1, 2013 through December 31, 2014. Fieldwork was conducted from March to April, 2015.

Methodology

Our review methodology included interviews, observation of processes, review of documentation, and testing of data using sampling. To determine if active animal use protocols were in compliance with applicable regulations and standard operating procedures, auditors selected a nonstatistical sample through judgmental selection designed to be representative of the population. Auditors selected a sample of 30 animal use protocols for review of the protocol approval process, semi-annual inspections of animal housing and lab facilities listed, protocol personnel training, reviewers' IACUC training, and related IACUC meeting minutes.

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 Standard Administrative Procedures; Texas A&M University Animal Welfare Assurance Program Standard Operating Procedures; National Institutes of Health Office of Laboratory Animal Welfare and Applied Research Ethics National Association Institutional Animal Care and Use Committee Guidebook, 2nd Edition 2002; Public Health Service Policy on Humane Care and Use of Laboratory Animals; Animal Welfare Act (U.S. Code, 7 U.S.C. Sections 2131 et seq.), Animal Welfare Regulations (CFR Title 9, Chapter 1, Subchapter A, Parts, 1 - 4); National Research Council Guide for the Care and Use of Laboratory Animals, 8th Edition; 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.

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 TEXAS A&M UNIVERSITY – CORPUS CHRISTI

Learning Management System General and Application Controls Review

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

Project #20151501
Texas A&M University – Corpus Christi: Learning Management System General and Application Controls Review

Overall Conclusion

Texas A&M University – Corpus Christi’s Office of Distance Education and Learning Technologies and the Department of Information Technology have established strong controls and processes over the university’s learning management system (Blackboard). These controls help to ensure that the information in the system is accurate, complete, available, and in compliance with related laws, policies, and regulations. The Blackboard application and related infrastructure is hosted and maintained by an external party. The university has developed several practices that provide for more efficient and effective operations, including utilizing the university’s central authentication system for faculty and student account access and instituting compensating controls for weak logical security controls over local Blackboard accounts. The governance structure over Blackboard is functioning effectively with the Office of Distance Education and Learning Technologies reporting through the Academic Division and the Department of Information Technology reporting through the Finance Division.

Basis of Review

Objective and Scope

The overall objective of this audit was to evaluate the general and application controls of the learning management system at Texas A&M University – Corpus Christi to determine that the information is accurate, complete, and in compliance with related laws, policies, and regulations.

The review of the learning management system at Texas A&M University – Corpus Christi focused on user account management, governance, and application controls. The audit period focused primarily on activities from September 1, 2014 to March 31, 2015. Fieldwork was conducted from March to May, 2015.
Methodology

Our review methodology included interviews, observation of processes, review of documentation, and a limited review of work order data.

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 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.

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