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Fourth Quarter Report for Fiscal Year 2015

TEXAS A&M INTERNATIONAL UNIVERSITY

Review of Selected Financial Management Operations

Charlie Hrcir, C.P.A.
Chief Auditor

Project #20151603
Overall Conclusion

Texas A&M International University needs to improve administration over student accounts receivable to ensure student receivables are managed in compliance with state laws, A&M System requirements, and university procedures. Data analysis of payroll activity did not identify any inappropriate or unusual activity. However, physical access for payroll related documents requires improvement to safeguard confidential employee information. Opportunities for improvement were also noted related to agreements for past due student balances and reconciliation processes.

Summary of Significant Results

Student Accounts Receivable Administration

Accounts receivable processes require significant improvement to ensure student receivables are managed in compliance with state laws, A&M System requirements, and university procedures. The university has written procedures for student receivables that address sending demand letters, placing accounts on state hold, placing accounts with collection agencies, and accounting for uncollectible accounts. However, student accounts are not placed on state hold when delinquent as required by A&M System regulation and the State Comptroller. Financial records are not adjusted when student accounts are determined to be uncollectible. Additionally, collection procedures for past due third-party accounts are not established and duties for accounting for third-party accounts and invoicing of third parties are not segregated.

Physical Access to Payroll Documentation

Improvement is needed to limit access to payroll documentation with confidential employee information. Hard copy payroll documentation is stored in a vault within the payroll office suite. The vault remains open throughout the day since the vault is used as work space. When an employee is not present in the vault, there is a risk that an unauthorized individual could access payroll documentation which contains confidential information.
Summary of Management’s Response

*The university agrees with the findings and has already begun instituting procedures to improve student accounts receivable administration. Additionally, measures to limit access to the payroll office have been completed.*
Detailed Results

1. Student Accounts Receivable Administration

Accounts receivable processes require significant improvement to ensure student receivables are managed in compliance with state laws, A&M System requirements, and university procedures.

1a. Accounts Receivable Collection Process

Accounts receivable collection processes do not ensure student accounts receivable are managed in compliance with laws, policies, and university procedures. As of April 2015, the student related accounts receivable balance was $3 million. Of that balance, $1.3 million was greater than two years old with accounts dating back to 2006. The university has written procedures for student receivables that address sending demand letters, placing accounts on state hold, placing accounts with collection agencies, and accounting for uncollectible accounts. University procedures require accounts to be submitted to the Office of General Counsel for write-off approval upon return from two collection agencies; however, this process is not occurring and no additional collection efforts are initiated. Personnel indicated that they do not currently place accounts on state hold or adjust financial records for uncollectible accounts.

System Regulation 21.01.04, Extension of Credit requires that when debt is determined to be delinquent, members utilize the State Comptroller’s warrant hold process to ensure payments are not issued to an entity with a debt to the state. A&M System Regulation 21.01.04 also indicates that members are to utilize the Office of General Counsel to determine if delinquent accounts can be written off and outlines required account information to submit for review.

The accounts receivable listing includes receivables associated with third-party entities. Third-party entities are external entities that agree to provide payments on behalf of a student. Many sources, including the Department of Veterans Affairs, US Army, school districts and other entities provide these payments. As of April 2015, third-party receivables were $1.4 million of which $527,000 was greater than a year old. The current written procedures are not followed for third-party receivables such as sending demand letters or sending accounts to collection agencies. Specific procedures have not been developed for delinquent third-party accounts. Policies and procedures provide guidance to staff and help ensure management directives are carried out.
Without complete and adhered to procedures for student accounts receivable, the university may be forgoing opportunities for payment on collectible accounts and is not in compliance with laws, policies, and university procedures.

**Recommendation**

Review and update written collection procedures to ensure all aspects of student accounts receivable administration are addressed including third-party collections and reconciliation procedures. Monitor collection activity to ensure all procedures are followed and are in compliance with A&M System regulations. Review existing aged receivables and take appropriate action to include placing accounts on state hold and accounting for uncollectible accounts as needed.

**Management’s Response**

*Procedures have been updated to include third-party collections. Included in the updated procedures are steps that will be followed to monitor collection activity. Aged accounts receivable have been reviewed and procedures followed to place state holds as required. Additionally, write-offs were approved by the Office of General Counsel and roughly half of those accounts over three years old were written off in fiscal year 2015. The remaining aged accounts receivable (through fiscal year 2012) will be written off by May 2016.*

1b. Segregation of Duties for Third-Party Accounts

**The process to record a receivable for student tuition and fees due from a third-party is not segregated from the invoicing of third-parties.** When payment responsibility for a student’s tuition and fees has been agreed upon by a third-party, the student’s account is credited to reflect the agreement and a receivable from the third-party is established. Currently, the individual that records third-party activity to student accounts also prepares and reviews the invoices for third-parties. This does not provide an independent review to ensure that third-party invoices are accurate, complete, and issued.

Additionally, the Business Office is set up as a third-party account receivable. Personnel indicated that the Business Office account is used as a quick way to update a student’s account to show correct status when the third-party account has not been established in the student information system. This omits the formal third-party setup process performed by the Admissions Office and does not provide accurate information as aging reports do not show the actual responsible parties. As of April 2015, $314,000 in Business Office receivables were outstanding.
The lack of segregation in recording third-party activity and invoicing of third-parties increases the risk that inaccurate third-party entries could go undetected.

Recommendation

Segregate the recording of third-party activity and invoicing duties. Discontinue the use of the Business Office account for third-party receivables and establish individual third-party accounts.

Management’s Response

Invoicing and recording duty assignments for third-party activity have been segregated. Invoices will be distributed by an external office by December 31, 2015. The use of the Business Office account has been discontinued in favor of individual, third-party accounts created by an external office.

1c. Agreement Procedures for Past Due Balances

Written procedures for agreements that establish payment schedules for past due balances are incomplete. The university allows students to register with past due balances if the student pays half of the outstanding balance and signs a payment schedule agreement. Upon agreement, administrative holds are temporarily removed to allow students to register. For spring 2015, eighty-four agreements were initiated.

The university has written procedures that indicate in order for a student with a past due balance to be able to register, the student must enter into a payment schedule agreement and pay half of the outstanding balance. Payment can be less with supervisor approval. Details regarding restrictions of financing of new charges, application of funds such as financial aid to outstanding balances, and periodic review of the agreement form are not addressed in the procedures. Policies and procedures provide guidance to staff to assist with consistency in processing and help ensure management directives are carried out. Without complete procedures, the risk is increased that the process is inconsistent and noncompliance with applicable policies and regulations may occur.

Current monitoring practices are manual as folders with agreements are maintained and staff looks up each student’s account in the student information system to monitor payment of the agreement. There is currently not an indicator in the student information system to identify student accounts with agreements for payment schedules with past due balances.
Recommendation

Update procedures for agreements with past due balances to ensure all steps of the process are included and address applicable policies or regulations. Identify methods of distinguishing students with installment plans within the student information system to assist with the monitoring of payments.

Management’s Response

Procedures for student agreements, or promissory notes, have been updated. Beginning fall 2015, students on such agreements will be identified with a unique detail code in Banner to facilitate the generation of reports to assist with payment monitoring. The new detail codes and monitoring reports will be in place by December 31, 2015.

2. Physical Access to Payroll Documentation

Improvement is needed to limit access to payroll documentation with confidential employee information. Hard copy payroll documentation is stored in a vault within the payroll office suite. The vault remains open throughout the day since it is used as work space. When an employee is not present in the vault, there is a risk that an unauthorized individual could access payroll documentation which contains confidential information. Documents include items such as payroll detail reports and payroll calculation reports which include social security numbers. Several of the items in the vault exceeded the A&M System’s record retention schedule.

Maintaining documents in a manner that may allow access to unauthorized individuals places the university at risk for exposing employees’ confidential information. The Texas Commerce and Business Code requires businesses and agencies to implement and maintain reasonable procedures to protect from unlawful use or disclosure of any sensitive personal information collected or maintained in the regular course of business.

Recommendation

Improve the payroll record retention processes to ensure records are maintained and destroyed in accordance with record retention requirements. Fully utilize Laserfiche to reduce the number of hard copy files and automate the records deletion process. Enhance security over confidential information by limiting accessibility to the vault or office suite, or storing the information in another secure manner.
Management’s Response

The recommendation has been implemented. The records in question have been destroyed, and the payroll office will do a better job of ensuring adherence to the record retention requirements. Jobs previously printed in College Station and mailed to the university are now sent electronically and scanned into Laserfiche. Access to the payroll suite has been restricted, as the suite is now kept locked at all times. Visitors to the office must ring a doorbell and be escorted into the office by a payroll employee.

3. Reconciliation Processes

Though bank account reconciliations were accurate and complete, other account reconciliations such as clearing accounts require improvement. Some accounts tested did not have reconciling items cleared in a timely manner, which is generally 90 days according to university procedure. Additionally, some of the accounts were incomplete without one or more of the following: indication of preparer and date; indication of the reviewer and date; or complete description of outstanding items. Due to limited staff availability, several accounts are reviewed but not formally reconciled. Reconciliations monitor account activity by comparing the appropriate information to detect and resolve discrepancies and ensure accuracy of information.

Recommendation

Improve oversight and monitoring of the reconciliation process to ensure all reconciliations are prepared timely and completely, all identified differences are adequately explained, and outstanding items are cleared in a timely manner.

Management’s Response

The university will be implementing T-Recs reconciliation software, currently being implemented at TAMU-Commerce, in order to improve the oversight and monitoring of all reconciliations. Pending the implementation at Commerce, we hope to have this implemented by August 31, 2016. Additionally, a staff accountant will replace the accounting assistant formerly responsible for reconciling the clearing accounts in question to further address the clearing of these items in a timely manner. The staff accountant position will also be in place by August 31, 2016.
Basis of Review

Objective and Scope

The overall objective of this audit was to review controls and processes over the financial management operations of payroll, account reconciliations, and student receivables at Texas A&M International University to ensure assets are safeguarded and resources are used in compliance with laws and policies. The audit included an analysis of payroll transactions for anomalies, and a review of bank and clearing account reconciliations and student accounts receivable procedures. The audit period focused primarily on activities from September 2013 to March 2015. Fieldwork was conducted from May to July 2015.

Methodology

Our review methodology for student accounts receivable, payroll and reconciliations included interviews, observation of processes, and review of documentation. Testing of data using sampling was as follows:

- To determine if reconciliations were performed timely, properly balanced, contained explanations for all differences noted, and outstanding items were cleared within 90 days unless properly justified, the auditors used professional judgment to select a nonstatistical sample of 15 reconciliations including 9 bank reconciliations, 3 clearing account reconciliations, and 3 tuition and fee accounts for testing.

- To determine if payroll expenditures were accurate, supported and approved, data analysis queries were run on payroll activity for the following: overtime by employee for exempt and nonexempt, high hourly rate, low hourly rate, large hours worked in a pay period, payment after termination date, payment to no bank account (check), gross pay equals net pay, and other analysis. Nonstatistical samples of 3 to 10 transactions per query were reviewed for accuracy, approval and supporting documentation as appropriate.

Criteria

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

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TEXAS A&M UNIVERSITY – CENTRAL TEXAS

Review of Health, Safety and Environmental Management

Charlie Hrnčir, C.P.A.
Chief Auditor
Overall Conclusion

Generally, Texas A&M University - Central Texas has controls in place over health, safety and environmental management to provide reasonable assurance that a safe environment exists for students, faculty, staff, and visitors except in the areas of faculty and student travel processes. Significant improvement is needed in faculty international travel and student travel processes for compliance with laws, policies, and procedures. Opportunities for improvement were also noted in bloodborne pathogen training, safety inspection procedures, environmental management system, hazard communication and chemical safety programs, and safety and security risk assessment.

The university opened its first three teaching laboratories, purchased and handled hazardous chemicals, and provided laboratory and chemical safety training to students and employees starting with the fall 2015 semester. The university had an enrollment of approximately 2,500 students in spring 2015.

Summary of Significant Results

Faculty International Travel

Controls are not in place to ensure that faculty international travel is in compliance with A&M System and university requirements for completion of export control training and timely approval of travel requests. A review of eight trips indicated that three faculty traveling internationally did not complete export control training prior to their scheduled departure date. In addition, the university has established a 60-day advance approval requirement for international travel; however, this process is not currently being followed. It is important that processes are in place for faculty to understand and comply with international travel requirements to ensure the safety and security of themselves and any related confidential information.
Student Travel

Instances of noncompliance with university student travel rules and procedures were noted during a review of student travel documentation. Improvements are needed in the timely submission of student travel requests as well as the completeness and retention of travel documentation. Testing of student travel documentation indicated that student travel requests were not submitted timely and were missing necessary documentation. Without adequate monitoring controls over student travel processes, there is an increased risk of injury to students and employees traveling for university events.

Summary of Management’s Response

Texas A&M University - Central Texas accepts the recommendations contained in this audit report and has begun implementation to improve operations. The university will complete implementation of all recommendations by December 31, 2015.
Detailed Results

1. Faculty International Travel

Controls are not in place to ensure that faculty international travel is in compliance with A&M System and university requirements. Three of seven faculty that traveled internationally during the audit period did not complete the required export control training prior to the scheduled departure date. The A&M System requires all employees traveling internationally to complete export control training. Export control regulations include travel to certain sanctioned or embargoed countries for the purpose of educational or research activities. Monitoring processes were not in place to ensure employees completed training to understand federal laws and regulations, and their responsibilities to reduce the risk of export control violations. The university rule for export controls states that there are severe institutional and individual sanctions for violations of export control laws and regulations, including the loss of research funding, loss of export privileges, as well as criminal and civil penalties.

The eight faculty international travel trips during the audit period were all approved less than 60 days prior to the scheduled departure date required by university international travel procedures. The travel documentation was approved 16 to 53 days late. Noncompliance with the university's approval procedures increases the risk of unauthorized international travel, and the safety and security of employees.

Recommendation

Provide training to all employees that travel internationally to ensure they understand federal laws and regulations, and their responsibilities to reduce the risk of export control violations.

Implement a monitoring mechanism to ensure all employees that travel internationally complete required training prior to departure dates.

Comply with university international travel procedures that require all international travel be approved at least 60 days prior to the scheduled departure date.

Management’s Response

All employees submitting a request to travel internationally will now be required to complete training to understand federal laws and regulations as well as export control training. The university has had no true oversight of faculty international
travel prior to the audit. Responsibility for faculty international travel has been assigned to the Associate Provost and Associate Vice President for Research. This position will sign-off on all forms for international travel and will develop a process for monitoring faculty training related to international travel and export controls. International travel procedures are currently under review and will be updated to reflect the needs of the university.

*Implementation date: December 31, 2015.*

2. **Student Travel**

**Instances of noncompliance with university student travel rules and procedures were noted during a review of student travel documentation.** Five of the six student trips reviewed did not have travel information submitted to the Office of Civic and Student Engagement at least ten business days in advance of the travel as required by university student travel procedures. The travel documentation was submitted five to nine days late. All six student travel packets submitted to the Office of Civic and Student Engagement were missing trip itineraries as required by the university's student travel procedures. Three student trips did not have documentation to support that the student drivers completed the driver safety training. In addition, two trips were missing documentation to support that student drivers were at least 18 years of age and the personal vehicles used had all state mandated insurance coverage and current state inspection and registration.

The university has developed documentation requirements for a travel packet consisting of participant liability waivers, group travel listings, and emergency contact information. However, monitoring processes need improvement to ensure timely submission of travel packets and compliance with university student travel rules and procedures. Without adequate monitoring and controls over student travel the university is at greater risk of injury to employees and students, and negative publicity.

**Recommendation**

Provide training to employees, student organizations and groups to ensure they understand all university rules and procedures governing student travel. Establish a monitoring process to ensure student travel packets are submitted timely and include all necessary information for compliance with university rules and procedures.
Management’s Response

Training for employees, student organizations, and groups will be enhanced and a process for monitoring such training has been developed. Trainings will be held annually or on an as-needed basis depending upon turnover. Trainings will include driver safety training and risk management training. A monitoring process for student travel is being developed by the Office of Student Affairs to ensure compliance with all university rules and procedures. The university’s rules and procedures for student travel are being reviewed and updated.

Implementation date: December 31, 2015.

3. Bloodborne Pathogen Training

Improvements are needed to ensure compliance with the university’s bloodborne pathogens exposure control plan. Two of the 28 employees required to take bloodborne pathogen training did not complete the training. Three employees completed the bloodborne pathogens training from five to 43 days late after the required due date. Nine employees that completed the bloodborne pathogens training did not complete the Hepatitis B Vaccination Acceptance or Declination form. This document provides the university with evidence that the employee accepted or declined the university offered Hepatitis B vaccination. Without this completed form offering the vaccination from each employee, the university does not have adequate records to support that the employee accepted or declined the vaccination.

The university’s bloodborne pathogen exposure control plan requires all employees determined to have occupational exposure to bloodborne pathogens to receive training prior to their initial assignments to tasks where occupational exposure may occur, and refresher training each year thereafter. A lack of monitoring of employee training assignments and completion increases the risk that employees with occupational exposure to bloodborne pathogens could be infected or injured from these pathogens.

In addition, the review of Hepatitis B Vaccination Acceptance or Declination forms indicated that these forms were not being segregated from other personnel file documentation. Employee Services did not maintain employee medical information separately from other employee personnel documentation to ensure the confidentiality of medical documents.
Recommendation

Implement a monitoring mechanism to ensure that employees with occupational exposure to bloodborne pathogens are identified, complete the required safety training, and complete the Hepatitis B Vaccination Acceptance or Declination form.

Review employee personnel files and ensure employee medical information is segregated from other personnel documents.

Management’s Response

*The bloodborne pathogen training has been set up by System Human Resources Employee & Organizations Development to be assigned to any new university employee in positions determined by the Safety & Risk Management Officer of the university and identified in the bloodborne exposure control plan as being at risk of exposure. The training will be assigned as part of the new employee orientation process. The training is assigned as an annual requirement by the Office of Employee Services. TrainTraq will also monitor all training to ensure it has been completed. The Hepatitis B Vaccination Acceptance or Declination form along with instructions will also be included as part of the new hire orientation for positions identified in the bloodborne exposure control plan.*

*The Office of Employee Services has removed all medical information from personnel files and has created separate files.*

*Implementation date: August 31, 2015.*

4. Safety Inspection Procedures

*Although regular safety inspections are performed, improvements are needed to the inspection process.* The university’s Safety and Risk Management Office performs safety inspections of the university's buildings and grounds, and documents the results on checklists. However, the safety inspection process is not supported with comprehensive written procedures to include inspection frequency, reporting of results, and a follow-up inspection process. Safety inspection procedures provide employees with information on their duties and responsibilities. Without comprehensive written procedures, formal reporting of inspection results and timely follow-up inspections of identified safety deficiencies, the university is at greater risk of injury to employees, students and visitors, and damage to property.
Recommendation

Develop comprehensive written procedures for the safety inspection process, including inspection frequency and formal reporting of inspection results. Implement a follow-up inspection process that provides tracking and monitoring of the inspection report recommendations to ensure appropriate steps are taken to correct identified deficiencies in a timely manner.

Management’s Response

The university has updated its fire and life safety plan to include comprehensive written procedures for inspection frequency, reporting inspection results, and the follow-up inspection process. All fire and life safety reports will be submitted to the Vice President of Finance & Administration for review on a monthly or annual basis depending upon the inspection requirements. All deficiencies that cannot be mitigated will be submitted to facilities maintenance through their work order system. The Safety & Risk Management Officer receives notification when the work order has been received, assigned to an individual for work to be done, and when the work order has been completed.

Implementation date: August 31, 2015.

5. Environmental Management System

The university does not currently have an advisory council or environmental management system (EMS) core team in place to provide leadership of the environmental management system. The university has developed an environmental management system document that identifies and provides management with the university’s significant environmental interfaces. This document has been provided to A&M System Office of Risk Management in accordance with A&M System policy. The university’s EMS requires an advisory council to assign a core team to provide leadership; manage implementation of objectives and targets; and maintain the environmental programs and procedures. In addition to the usual university-related environmental interfaces, the United States Fish and Wildlife Service deemed that the university property include a critical habitat for an endangered species of birds. The university is responsible to protect this habitat. It is important to have an active leadership team to ensure that environmental programs are carried out for the continued protection and preservation of environmental resources, as well as compliance with A&M System and federal environmental regulations.
Recommendation

Ensure that the university's EMS has an active leadership team that provides guidance and monitoring for achievement of the environmental objectives and targets.

Management’s Response

The university has created an Environmental Health and Safety Advisory Committee and identified individuals representing various departments and students. The first meeting will be held in September 2015 where they will begin setting environmental objectives and targets and developing a process for the monitoring of achieving the objectives and targets. At the first meeting in September 2015, the committee will discuss the dates and frequency of the meetings. Minutes will be taken and supplied to the Vice President of Finance & Administration. The committee will review the current objective and targets for completion and will identify goals and objectives for the new fiscal year.

Implementation date: December 31, 2015.

6. Hazard Communication and Chemical Safety Programs

A documented hazard communication program and chemical safety program are not in place to provide students and employees with information on hazardous chemicals. A hazard communication program and chemical safety program were not considered necessary because the university had not stored, handled, or disposed of hazardous chemicals since the campus opened in 2010. The university is planning to purchase, store, handle, and dispose of hazardous chemicals beginning in August 2015 with the opening of the first three teaching laboratories. With the acquisition and handling of hazardous chemicals the university is required to have written hazard communication and chemical safety programs in place.

The Texas Hazardous Communication Act requires that employers provide information regarding hazardous chemicals in the workplace to employees with potential exposure to these chemicals. The act also requires the employer to provide training on the general safety, interpretation of labels, use of protective equipment, and location of hazardous chemicals in the workplace. A&M System regulations require members to develop and implement a chemical safety program to ensure employees and students understand their responsibilities to reduce safety risks when handling hazardous chemicals and wastes. Without a hazard communication program and chemical safety program the university is at
an increased risk of injury to students, employees and visitors, and damage to property.

**Recommendation**

Complete and implement a written hazard communication program and chemical safety program to reduce risk of injury to students, employees, and visitors as a result of exposure and handling of hazardous chemicals.

Ensure all employees with potential exposure to hazardous chemicals are identified, and complete hazard communication training prior to exposure to these chemical hazards.

**Management’s Response**

*Both the hazardous communication program and chemical safety program draft documents have been updated and submitted to the A&M System Office of Risk Management for review. The chemical safety program has been returned to the university and recommended changes are being made and will be sent back to the A&M System Office of Risk Management for a final review. Both documents include the requirements for students, faculty, staff, and visitors.*

*Employees with the potential for exposure to hazardous chemicals have been identified. The required training has been assigned through TrainTraq and all individuals have completed the training as of September 4, 2015. The Chemical Hygiene Officer completed training prior to the delivery of chemicals on August 25, 2015.*

*Implementation date: September 30, 2015.*

7. **Safety and Security Risk Assessment**

An increased risk of injury to students, employees and visitors, and damage to property.

**Recommendation**

Complete and implement a written hazard communication program and chemical safety program to reduce risk of injury to students, employees, and visitors as a result of exposure and handling of hazardous chemicals.

Ensure all employees with potential exposure to hazardous chemicals are identified, and complete hazard communication training prior to exposure to these chemical hazards.

**Management’s Response**

*Both the hazardous communication program and chemical safety program draft documents have been updated and submitted to the A&M System Office of Risk Management for review. The chemical safety program has been returned to the university and recommended changes are being made and will be sent back to the A&M System Office of Risk Management for a final review. Both documents include the requirements for students, faculty, staff, and visitors.*

*Employees with the potential for exposure to hazardous chemicals have been identified. The required training has been assigned through TrainTraq and all individuals have completed the training as of September 4, 2015. The Chemical Hygiene Officer completed training prior to the delivery of chemicals on August 25, 2015.*

*Implementation date: September 30, 2015.*

7. **Safety and Security Risk Assessment**

**A formal safety and security risk assessment has not been performed to identify, analyze, and address safety risks.** The university identified the need for a safety and security risk assessment as part of the fiscal year 2015 enterprise risk management process. A formal risk assessment provides management with the means to determine controls and staffing levels needed to address the safety and security risks. An inactive safety committee and the change in the Safety and Risk Management Officer limited the efforts to perform a safety risk assessment. Without a formal safety and security risk assessment, safety risks may not be identified and addressed in priority order or in a timely manner to ensure the safety of students, employees, visitors, and the environment.
Recommendation

Perform a formal safety and security risk assessment to identify and analyze the university’s safety and security risks, and implement the corresponding controls needed to address these risks.

Management’s Response

The EMS Core Team will develop an environmental health and safety assessment survey to be sent to all students, faculty and staff for the purpose of identifying any safety risk at the university. The first meeting of the EMS Core Team will be held in September to develop the assessment. The plan is to submit the formal assessment to all students, faculty and staff. Once the results of the survey have been returned the EMS Core Team will meet again to analyze the findings and implement measures to mitigate or eliminate all risks or hazards that have been identified.

Implementation date: November 1, 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to review the controls over health, safety and environmental management to determine if the university is in compliance with laws and policies, and provides reasonable assurance that a safe environment exists for students, faculty, staff and visitors. The review focused on chemical administration, safety and security risk assessment, environmental management system, risk management programs, safety communication, safety inspection process, safety training, student and faculty travel, and university rules and procedures. The audit period focused primarily on activities from September 1, 2014 to June 30, 2015. Fieldwork was conducted from June to August, 2015.

Methodology

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

To determine that student travel documentation was in compliance with A&M System policies and regulations, and university rules and procedures, auditors selected a non-statistical sample of six student travel trips through judgmental selection designed to be representative of the population.

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-Central Texas Rules and procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
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Fourth Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY – SAN ANTONIO

Review of Tuition and Fees

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20152503
Overall Conclusion

Overall, Texas A&M University – San Antonio has established controls over tuition and fee revenues and expenditures to provide reasonable assurance that the university is in compliance with applicable laws and policies. Significant improvement is needed in reconciliation processes between the student information system, Banner, and the financial accounting system, FAMIS, to ensure all accounts are reconciled accurately and on a timely basis. In the past fiscal year the university has made progress in establishing account reconciliation processes and clearing outstanding issues; however, additional monitoring and oversight is necessary to ensure that all reconciliations are completed as expected. Accurate and timely reconciliations are an important control for timely detection of errors, discrepancies and misappropriations that may occur.

The university has implemented a guaranteed undergraduate tuition and fee rate structure and applies these tuition and fee charges appropriately. The university enrolled 4,500 students in the fall 2014 semester. Annual tuition and fee revenues are over $19 million.

Detailed Results

Reconciliations

Reconciliation processes between the student information system, Banner, and the financial accounting system, FAMIS, need improvement to ensure all accounts are reconciled accurately and on a timely basis. Weaknesses noted during our review included the following:

- Four of 15 (27%) accounts reviewed were not reconciled. These accounts had not been fully reconciled since the accounts were transferred from Texas A&M University - Kingsville in 2010. A process was not in place to escalate unresolved items to an appropriate level of management to make decisions for the resolution of unexplained amounts.
• Monthly reconciliations for the two Banner clearing accounts reviewed were not formatted correctly and included a consistently recurring variance that was not explained. Correct format and formulas are important to ensure that the reconciliation process is comparing the appropriate information to detect and resolve discrepancies.

• Monthly reconciliations for 9 of 15 (60%) accounts reviewed have no documentation of completion by the preparer or the reviewer. The three annual reconciliations reviewed for student receivables also lacked documentation of completion by the preparer and reviewer. The reconciliations are completed and filed electronically without a process in place to document the date and individual completing the reconciliation and the date and individual reviewing the reconciliation. Documenting completion of the reconciliation is important in monitoring timeliness of the reconciliation process.

• Documented procedures have not been developed for reconciliations performed by the Student Business Services office. Documented procedures provide guidance for employees and reduce the risk that reconciliations would be inappropriately prepared or inadequately documented.

The university has established a list of accounts and deadlines for periodic reconciliation and has improved account reconciliation processes despite the small staff and turnover in financial leadership. Monitoring and oversight is important to ensure that employees understand account reconciliation processes, and how and when to alert management to issues or problems in resolving outstanding items. Accurate and timely reconciliations are an important control for timely detection of errors, discrepancies and misappropriations that may occur.

Recommendation

Provide training on appropriate reconciliation procedures for the different types of accounts. Establish a monitoring process to ensure that reconciliations are completed accurately and outstanding issues are escalated to the appropriate level of management for resolution. Document the dates and individuals preparing and reviewing reconciliations. Document reconciliation procedures and establish a process to routinely review and update procedures for reconciliations and student accounts receivables’ collections. Consider opportunities to take advantage of a new reconciliation software agreement with Texas A&M University to provide support and reconciliation services for Texas A&M University - San Antonio.
Management’s Response

We appreciate the thorough review and suggestions provided by the A&M System Office Internal Audit team. To address the above recommendations, mandatory reconciliation training has been scheduled on September 11th for 9 employees responsible for reconciliations within Financial Services and a form/process has been established to document dates, review, approval, and escalating problems. Along with annual reconciliation training scheduled for the first Tuesday in December each year, reconciliation processes will be documented, and procedures will be reviewed and updated annually as needed. We will review the cost/benefit of the reconciliation software with Texas A&M University.

Implementation date: November 30, 2015

Basis of Review

Objective and Scope

Review the university's controls over tuition and fee revenues and expenditures to determine if the university is in compliance with applicable laws and policies. The review of tuition and fees at Texas A&M University – San Antonio focused on reconciliations, mandatory tuition set-aside calculations, student billing, student receivables, and fee account expenditures. The audit period focused primarily on activities from September 1, 2014 to May 31, 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.

To determine the accuracy of student billing statements, auditors judgmentally selected a nonstatistical sample of six student fee statements and seven student waivers designed to be representative of the different type of students and waivers in the population.
Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the Texas Education Code; 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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Fourth Quarter Report for Fiscal Year 2015

TEXAS A&M INTERNATIONAL UNIVERSITY
Student Information System General and Application Controls Review

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20151602
Overall Conclusion

The controls for the Banner student information system and related business processes at Texas A&M International University provide reasonable assurance that the university’s student information is accurate, complete and in compliance with related laws, policies, and regulations. However, opportunities for improvement were noted in the controls over user account administration for student holds, operational efficiency, and administrative account access.

Banner is a critical information technology (IT) system that is used and relied upon by both internal and external university stakeholders. The Banner application impacts many operational areas including the business office, admissions, registration, advising and assessment, and financial aid.

Detailed Results

1. User Access for Administrative Student Holds

Weaknesses were identified in the university’s hold administration practices specifically for student holds, including user access to place and remove holds and change management for hold types. Student holds include transcript holds, registration holds, withdrawal holds, etc. These holds can prevent students from registering for courses, obtaining transcripts, and/or graduating. The hold types and hold restrictions vary based on the type of hold and which department is administering the hold. Departments are not administering student holds within the student information system consistently. Student holds are utilized by all departments using Banner for a variety of business needs. The university does not have a standardized process for creating, using, releasing, and storing student hold information. Inconsistencies existed in departments for releasing holds. Some departments inactivate a hold by placing an end date which preserves the history while others delete the hold from the student record completely which causes the hold history to be lost. It was noted there are no controls or access restrictions for Banner users to remove holds placed on student accounts by another user or department. There are also no restrictions in place which limit the hold types an individual user can add or remove.
The university is not using a formal change management process when changes are made to hold tables within Banner. Change management is a structured process to ensure all changes are validated before the change is implemented. Currently, the request to create or modify a hold can be initiated at different departments. These are often discussed at Banner group meetings or via phone/email, but no formal documentation is required. The access to create or modify the hold is decentralized to the departments. Monitoring of the hold table is done a few times a year. Utilizing a formal process to manage changes will reduce the university’s risk of inappropriate changes being implemented within the application.

The university has not defined procedures for consistent use and administration of student account holds. Inconsistent administration of student holds increases the risk that student holds are not limiting activities as designed or that holds are being improperly removed or deleted from student accounts. The improper removal of a hold could allow a student to register for another semester, obtain a transcript, be awarded a degree, receive payments from the state, obtain financial aid, etc. when they are not authorized to participate in those activities.

**Recommendation**

Develop formal, standardized procedures for the administration of student account holds. The procedures need to address the placing and removing of all student hold types and assignment of oversight responsibility for student holds to ensure consistency across the university. Implement fine grain access controls for access to place and remove student account holds to ensure only authorized individuals have that access. Create a formal change management process for hold types that centralizes the approval and monitoring functions.

**Management’s Response**

*The Office of the Registrar will develop a formal standard administrative procedure to address this recommendation by May 31, 2016.*

*Fine grain access with be implemented with Banner XE, which is scheduled to be completed by November 30, 2016. In the interim, TAMIU will deploy a custom form created by TAMU to restrict access to holds by departments. This will also prevent departments from deleting holds. As part of this process SOAHOLD will be deactivated and replaced by WOAHOLD which will eliminate the ability to completely delete holds.*
Approval and creation of new hold types and functions will be centralized in the Office of the Registrar with approval from the Banner Executive Committee. This process will be implemented by February 29, 2016.

2. Operational Efficiency

Inefficiencies were noted related to the Banner system processes. Several processes were identified where an automated scheduler could be utilized to initiate processes that are currently being performed manually by university business units. These processes include creating letters for student notification and initiating data upload and processing within the Financial Aid Office.

In addition, there were several manual processes that could be automated for efficiency including:

- All student records are currently maintained in a paper format, including electronically received applications which are printed for hardcopy storage.
- A manual process is currently being used each semester to perform course scheduling, including identification of class size, location, description and any prerequisites using Excel spreadsheets and data exports from Banner.
- The university accepts applications for student registration (approximately 50%) and graduation from hardcopy forms, which requires manual input of student information into the Banner application.

Recent efforts have taken place to improve some of these manual processes with the help of the university's IT department and the purchase of some applications. These applications include a job scheduler to reduce the manual processing of jobs, along with an imaging system to reduce the number of paper document student records maintained by the university. Automation of manual processes will reduce the university's risk of error and increase its speed of processing.

Recommendation

Perform an efficiency analysis of business processes including job scheduling and develop a plan to address identified inefficiencies. Assign resources specifically for developing more efficient functional processes as needed. Consult with external entities for assistance in identifying additional areas of improvement and solutions to current Banner roadblocks.
Management’s Response

The university will contract with the Columbia Advisory Group to perform an efficiency analysis of business processes and provide an implementation plan to address operational inefficiencies by May 31, 2016. Based on this analysis, resources to address the identified inefficiencies will be assigned as needed.

3. Administrative Account Access

The university is not utilizing the distributed security feature of the Banner default administrator account (BANSECR). Six IT users currently have access to the BANSECR account, using the same user name and password for the account. The distributed security feature for the BANSECR account within Banner would allow each of the six privileged IT users to have separate login information, providing individual accountability for any changes and/or modifications made to the application and the data.

Recommendation

Utilize the functionality within Banner for distributed security of the BANSECR account, which provides individual accountability for those users with privileged user access.

Management’s Response

The university has engaged the Columbia Advisory Group to assist with the implementation of BANSECR distributed access with a target completion date of December 31, 2015.
Basis of Review

Objective and Scope

Evaluate the application controls of the student information system at Texas A&M International University to determine that the information is accurate, complete and in compliance with related laws, policies and regulations.

The review of the student information system focused on the areas of general IT controls and application controls identified within selected business processes related to data inputs, processing, storing, outputs and audit trails. The business processes selected for review were from the Business Office, Admissions, Registrar, and Financial Aid departments, as well as other business processes that impact the university as a whole. The audit period focused primarily on activities from January 1, 2014 to July 2015. Fieldwork was conducted from June to July 2015.

Methodology

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

To determine whether change control processes were followed, the auditors selected a judgmental sample of eight changes to determine if there were any unexpected results. The results from sampling would not be projected to the population as a whole.

To determine if new user processes were followed, the auditors selected a judgmental sample of six Banner new user changes to determine if there were any unexpected results. The results from sampling would not be projected to the population as a whole.

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 International University procedures; the Committee of Sponsoring Organization’s Internal Control Integrated Framework; and other sound administrative and industry best 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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Fourth Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY – CORPUS CHRISTI

Review of Contract Administration

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20151502
Overall Conclusion

Overall, processes and controls established over contract administration at Texas A&M University - Corpus Christi provide reasonable assurance that contractual agreements are compliant with laws, policies, regulations and contract terms. Contract monitoring processes are in place and contract terms tested for several major university contracts were in compliance with contract requirements. The university’s contract database could be improved by ensuring all contracts are included in the database to better facilitate oversight and monitoring by the Department of Contract Administration. This includes implementing the university’s recently developed Contract Administration Rule 25.07.99.C1 which requires all contracts be routed through this department. Opportunities for improvement also exist in the management of the Chartwells contract.

Processes Reviewed

- Contract approvals
- Contract monitoring
- Contract compliance

Major Contracts Selected for Review

- American Campus Communities SC Management LLC
- Camber Corporation
- Camden Property Trust
- Chartwells Dining Services
- SSC Building, Landscape and Custodial Services

Detailed Results

1. Contract Monitoring

The university's contract database does not contain all of the necessary information to facilitate monitoring of university contracts by the Department of Contract Administration. During a review of selected university contracts and the contract database maintained within the Department of Contract Administration it was noted that the database does not include all university contracts. For instance, one of five major contracts reviewed, Camden Property Trust, did not have all building phases related to this housing contract included in the database. In addition, three of 15 (20%) university vendors that were paid the most during the audit period and three of five departments reviewed had contracts that were not included in the database.

In addition, based on a review of the database it was noted that some contracts with actual or implied amounts did not list the contract amount. This includes, three of five major contracts reviewed including Camden Property Trust; Chartwells Dining Services; and SSC Building, Landscape and Custodial Services.
The contract database was not adequately maintained by previous Department of Contract Administration staff. Current staff have made significant progress in updating the contents of the database; however, it has been difficult to fully update this information given the extent of other contract administration responsibilities. In addition, all contracts were not previously required to be routed through the Department of Contract Administration so contract information related to these contracts was not always available to be entered into the database. Contract Administration Rule 25.07.99.C1 was recently approved for the university which requires all contracts to be routed through the Department of Contract Administration with very limited exceptions.

When populated with accurate and complete information, the contract database will help the department assess risk to the university related to the contracts as well as ensure contracts are appropriately reviewed and that management exercises its fiduciary responsibilities when executing contracts on behalf of the university. In addition, it will facilitate the department’s ability to manage upcoming contract expiration dates and automatically email departments regarding their contract expiration and renewal status.

**Recommendation**

Update the university’s contract database to include all relevant information needed to assess the risk of each contract and implement corresponding monitoring processes and controls to mitigate this risk.

Complete implementation of the university’s recently approved contract administration rule. Monitor to ensure university contracts are routed through the Department of Contract Administration as required to ensure appropriate review and assessment of risk to the university.

**Management’s Response**

*The Department of Contract Administration has established warning processes in the contract database that provide multiple emails with follow-up phone calls for overdue contracts that have cut down the number of overdue contracts. The department will continue to update the university contract database to include all relevant information needed to assess the risk of each contract. Contract Administration will complete their audit of university department contracts and spot audits of department contract processes by March 1, 2016.*

*The new contract administration rule is being followed to ensure contracts are routed through the Department of Contract Administration for monitoring and controls.*
2. **Chartwells Contract Compliance**

**Two key requirements of the Chartwells Dining Services’ contract have not been implemented timely.** The vendor performance measurement evaluation tool has not yet been implemented and the annual work plan has not been provided in a timely manner as required in the contract. The contract with Chartwells requires the use of a performance measurement evaluation tool to rate Chartwells adherence to various performance measures including the amount of payment to be made by Chartwells for deficient performance or by the university for superior performance. The contract also requires Chartwells to provide the university an annual work plan for the operation of services on or before the 60th day prior to the following contract year. Without adequate oversight and monitoring of vendor performance, there could be discontent due to poor vendor quality and service. The annual work plan provides the scope of work to be performed by the vendor for the following year and is critical for university planning and monitoring of dining services.

**Recommendation**

Fully implement the performance measurement evaluation tools created to manage vendor performance related to the Chartwells outsourcing contract and take actions as necessary to address any problem areas such as not providing the annual work plan in a timely manner. This includes assessing corresponding penalties for poor vendor performance and/or providing bonus payments to vendors for superior performance. Use this vendor performance information to determine the extent of additional monitoring needed by the university.

**Management’s Response**

The performance measurement evaluation tool for 2014-2015 will be completed and require a documented response from Chartwells by August 31, 2016. The evaluation will be performed timely on an annual basis so that Chartwells will have the opportunity to address any required improvements in their annual work plan.
Basis of Review

Objective and Scope

The overall objective of this audit was to review processes for approving and monitoring contracts at the university and determine compliance with laws, policies, regulations and selected contract terms. Contract terms reviewed included those related to contract revenue, contract payments, insurance requirements, operating guidelines, financial reporting, and various vendor performance requirements.

The contracts reviewed include American Campus Communities (ACC) SC Management LLC for building and managing student housing on the university's new momentum campus; Camber Corporation for planning, operating and managing the Lone Star UAS Test Site associated with developing Unmanned Aircraft System (UAS) capabilities; Camden Property Trust for building and operating student housing on the university's main campus; Chartwells Dining Services for providing dining and catering services to the university; and SSC Building, Landscape and Custodial Services for performing facilities services for the university. The audit period focused primarily on activities from May 1, 2014 to April 30, 2015. Fieldwork was conducted from June to August, 2015.

Methodology

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

- To determine if selected contract terms were in compliance with contract requirements, auditors used professional judgment to select a nonstatistical sample of five contracts that had the greatest magnitude or risk to the university based on the stated or implied contract amount and assessed risk by university contract management. This included contracts with public private partnerships, recently outsourced facilities and dining services, and a large research contract.

- To determine if selected departments had adequate contract monitoring processes in place, auditors used professional judgment to select a nonstatistical sample of five departments with the greatest number of contracts and perceived risk by university contract management.
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 – Corpus Christi administrative procedures; stated contract stipulations; 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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Fourth Quarter Report for Fiscal Year 2015

TEXAS A&M ENGINEERING EXPERIMENT STATION

Review of Selected Centers and Institutes

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20150801
Overall Conclusion

Overall, controls and processes over selected centers and institutes at Texas A&M Engineering Experiment Station (TEES) provide reasonable assurance that the entities are achieving their Board approved goals and purpose in compliance with laws, policies, regulations and agency rules. Opportunities for improvement exist in the areas of reconciliations and providing written feedback to the centers and institutes after their biennial performance review.

The agency has twenty-nine active centers and institutes with eighteen being managed solely by TEES. The eleven remaining centers and institutes are jointly managed by TEES and other Texas A&M System members. The agency has implemented a biennial process whereby it determines the continued viability of each center and institute and ensures that its future plans are consistent with the TEES vision and mission.

Detailed Results

1. Departmental Account Reconciliations

Account reconciliation and review processes require improvement to ensure the financial integrity of centers and institutes. Of the eight centers and institutes tested, five (63%) either did not perform or have documented account reconciliations. TEES does not require centers and institutes to complete account reconciliations because the agency’s accounting system has built-in compensating controls over additions or changes to departmental accounts. According to TEES’s management, most TEES transactions go through a routing and approval process before being posted to a project/account in the accounting system. This means that authorized center and institute approvers must approve a transaction before it posts to a TEES project/account including voucher, travel, correction, and payroll transactions. Beginning fiscal year 2016, TEES will transition to the A&M System’s Financial Accounting Management Information System (FAMIS) which does not have these same compensating controls. TEES management agrees that reconciliations will then become a higher priority. Reconciliations are a critical control activity to ensure that financial data
can be relied upon for decision-making purposes. Without periodic review and clearing of outstanding reconciling items, the risk of errors, discrepancies and misappropriation occurring and not being detected is increased. In addition, it was noted that none of the eight centers tested had documented reconciliation procedures to ensure continuity in the event of the preparer’s absence.

**Recommendation**

Develop and implement guidelines and/or a TEES standard administrative procedure for the timely completion of account reconciliations. Guidelines should include a framework for ensuring quality, accuracy, and completeness of the reconciliation, as well as the need for written procedures to ensure continuity in the event of the preparer’s absence.

**Management’s Response**

*TEES will develop and implement a standard administrative procedure for account reconciliations by February 28, 2016.*

2. **Biennial Performance Review Feedback**

**Written feedback regarding biennial reports was not provided to the eight selected centers and institutes.** Verbal feedback was provided instead of written feedback, because this was the first biennial performance review conducted by upper management and there was not a formal process in place to provide this feedback. According to TEES Standard Administrative Procedure 11.02.99.E0.01, *Procedure for Review of Centers and Institutes*, feedback from the Deputy Director or designee in regards to the biennial center/institute reports will be provided by March 31 of even-numbered years. Additionally, information regarding the continuation or dissolution of a center or institute will be included in the written correspondence. Without providing written feedback to each center and institute, there is an increased risk of misinterpretation of information since there is no record of the information shared in a verbal conversation. Management acknowledged that a formal process should be followed for the next biennium.
Recommendation

Implement the documented biennial performance review process to provide written feedback to centers and institutes.

Management’s Response

TEES SAP 11.02.99.E0.01, Procedure for Review of Centers and Institutes was replaced by SAP 11.02.99.E0.01, TEES Centers and Institutes in May 2015. By May 31, 2016, TEES will implement the new documented review process.

Basis of Review

Objective and Scope

The overall objective of this audit was to review and assess agency controls and processes over selected centers and institutes to determine if these entities are achieving their Board approved goals and purpose in compliance with laws, policies, regulations, and agency rules.

The review of selected centers and institutes at Texas A&M Engineering Experiment Station focused on the biennial performance review process, voucher compliance, account reconciliations, and budget fluctuation analysis. The audit period focused primarily on activities from September 1, 2013 to December 31, 2014. Fieldwork was conducted from June to July 2015.

Methodology

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

- To determine if the selected centers and institutes are achieving their Board approved goals and purpose in compliance with laws, policies, regulations and agency rules, auditors selected a nonstatistical sample through judgmental selection designed to be representative of the population. Auditors selected a sample of eight centers and institutes for review of biennial reports, budget fluctuations, and account reconciliations.

- To determine if purchase vouchers contained proper supporting documentation and were in compliance with laws and policies, the auditors selected a nonstatistical sample of 110 purchase vouchers from the selected
centers and institutes, through judgmental selection designed to be representative of the population for testing.

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 Engineering Experiment Station Rules and Procedures; Circular A-21 Cost Principles for Educational Institutions; Government Code Chapter 660 Travel Expenses; 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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