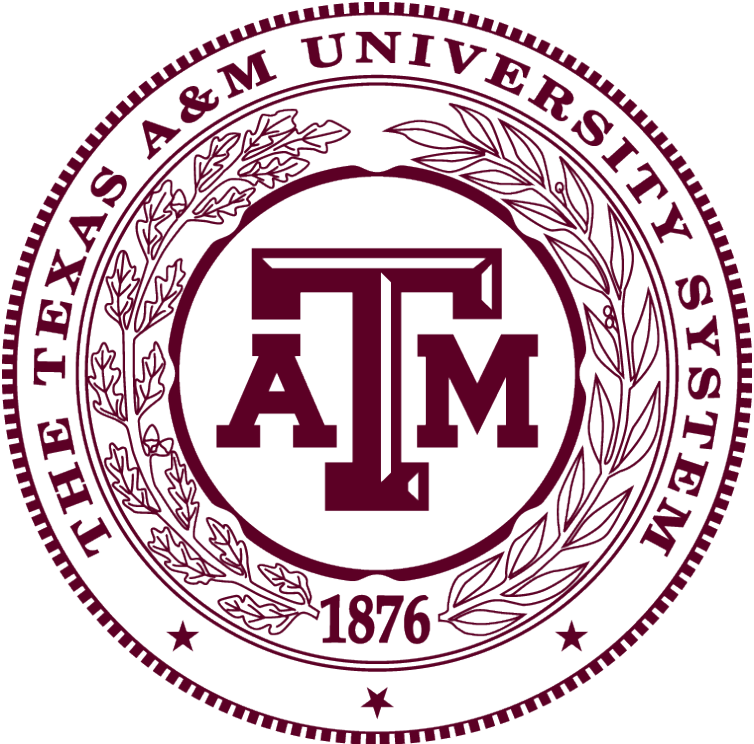


The Texas A&M University System Internal Audit Department

**INTERNAL AUDIT ANNUAL REPORT  
FOR FISCAL YEAR 2015**



## **TABLE OF CONTENTS**

	<b>SECTION</b>
<b>Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site</b>	<b>I</b>
<b>Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions</b>	<b>II</b>
<b>Internal Audit Plan for Fiscal Year 2015</b>	<b>III</b>
<b>Consulting Services and Nonaudit Services Completed</b>	<b>IV</b>
<b>External Quality Assurance Review (Peer Review)</b>	<b>V</b>
<b>Internal Audit Plan for Fiscal Year 2016</b>	<b>VI</b>
<b>External Audit Services Procured in Fiscal Year 2015</b>	<b>VII</b>
<b>Reporting Suspected Fraud and Abuse</b>	<b>VIII</b>

**I. Compliance with Texas Government Code, Section 2102.015:  
Posting the Internal Audit Plan, Internal Audit Annual Report, and  
Other Audit Information on Internet Web Site.**

## **Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site**

Texas Government Code, Section 2102.015, requires state agencies and higher education institutions to post their annual internal audit plan and their internal audit annual report on their Internet web site. It also requires a detailed summary of the issues identified in the audit reports and management's response to the audit issues be included on the web site.

To comply with the requirements of Texas Government Code, Section 2102.015, we will include all required audit information on their Internet web site. The annual internal audit plan, the internal audit annual report, and the quarterly audit reports are included in the "electronic reports" section of the web site. The quarterly audit report includes individual audit report observations along with management's responses. All of the required audit information as defined in Texas Government Code, Section 2102.015 will be added to the Internal Audit Department's Internet web site within 30 days of completion.

The purpose of the Internal Audit Department's web site is to inform viewers about "who we are, what we do, and how we help" the A&M System. Currently, the web site includes several sections of information including mission and responsibilities, code of ethics, controls, types of reviews, standards, audit staff, electronic reports, and reporting fraud.

## **II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

## **Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

In compliance with Rider 8, page III-39, of the General Appropriations Act (84<sup>th</sup> Legislature, Conference Committee Report), a System-wide Review of Compliance with Benefits Proportional by Fund Requirements has been included as part of the Fiscal Year 2016 Audit Plan. This review will focus on fiscal years 2012 and 2014. Fiscal year 2013 Benefits Proportional by Fund Reports were reviewed in response to Governor Perry's letter dated May 29, 2014 and a report was issued to the Governor's Office on October 30, 2014. Results from this review were included in the Internal Audit Annual Report for Fiscal Year 2014 submitted by the Texas A&M University System Internal Audit Department.

The audit conducted in fiscal year 2016 will use the methodology prescribed by the State Auditor's Office for higher education institution internal audits of benefits proportional by fund. The audit will include, at a minimum, the following areas:

- Ensuring that (a) payments for benefits that are paid from appropriated funds are made proportionately from the same source as the related salaries and (b) salaries paid from General Revenue funds are related to positions authorized for General Revenue funds.
- Reviewing salary expense transfers and refunds of expenditure transactions to verify that, if the higher education institution reduced salary expenditures from General Revenue, it also made a corresponding reduction in benefit expenditures from General Revenue.
- Disclosing in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public accounts.

A copy of the audit report will be submitted to the Legislative Budget Board, the Comptroller of Public Accounts, and the State Auditor's Office no later than August 31, 2016. Additionally, audits of benefits proportionality will be considered when developing the annual internal audit plans for fiscal years 2016 and 2017.

### **III. Internal Audit Plan for Fiscal Year 2015**

This section includes the status of audits in the internal audit plan for fiscal year 2015.

**Texas A&M University System**  
**Status of Internal Audit Plan for Fiscal Year 2015**

Audit Name By System Member	Report #	Report Date
<b><i>Prairie View A&amp;M University</i></b>		
Student Information System General and Application Controls Review	20150501	8/20/2015
Review of Contract Administration	20160501	In Progress
Review of Research Administration		Cancelled
<b><i>Tarleton State University</i></b>		
Learning Management System General and Application Controls Review	20150401	4/15/2015
Review of Financial Aid		Cancelled
<b><i>Texas A&amp;M International University</i></b>		
Review of Selected Financial Management Services	20151603	In Progress
Student Information System General and Application Controls Review	20151602	In Progress
Southern Association of Colleges & Schools Accreditation Financial Statement Review	20151601	2/3/2015
<b><i>Texas A&amp;M University</i></b>		
Review of Enrollment Management, Recruitment and Admissions	20150204	8/20/2015
Review of Facility and Event Safety	20150203	8/20/2015
Review of Residence Life	20150201	8/20/2015
Review of Animal Care and Use	20150202	8/20/2015
Student Information System General and Application Controls Review	20150206	In Progress
Decentralized Systems / Data Logical Security Controls Review	20150207	In Progress
Review of Code Maroon Emergency Notification System	20150209	In Progress
<b><i>Texas A&amp;M University-Central Texas</i></b>		
Review of Health, Safety and Environmental Management	20152401	In Progress
<b><i>Texas A&amp;M University-Commerce</i></b>		
Review of Tuition and Fees (combined with Financial Management Services audit)	20152101	In Progress
Review of Financial Management Services	20152101	In Progress
<b><i>Texas A&amp;M University-Corpus Christi</i></b>		
Learning Management System General and Application Controls Review	20151501	8/20/2015
Review of Contract Administration	20151502	In Progress
<b><i>Texas A&amp;M University-Kingsville</i></b>		
Southern Association of Colleges and Schools Accreditation Financial Statement Review	20151701	1/26/2015
Student Information System General and Application Controls Review	20151702	4/15/2015
Review of Enrollment Management, Recruitment and Admissions	20151703	In Progress



**Texas A&M University System  
Status of Internal Audit Plan for Fiscal Year 2015**

Audit Name By System Member	Report #	Report Date
<b><i>Texas A&amp;M University-San Antonio</i></b>		
Review of Tuition and Fees	20152503	In Progress
Review of Financial Management Services	20152504	In Progress
<b><i>West Texas A&amp;M University</i></b>		
Information Systems Logical Security Controls Review		Cancelled
Review of Auxiliary Services (Bookstore, Housing and Athletics) * (renamed Review of Financial Management Services)	20151801	8/20/2015
<b><i>Texas A&amp;M AgriLife Research</i></b>		
Review of Animal Care and Use	20150601	8/20/2015
<b><i>Texas A&amp;M Forest Service</i></b>		
Review of Transportation and Fleet	20151101	4/15/2015
<b><i>Texas A&amp;M Engineering Experiment Station</i></b>		
Review of Selected Centers and Institutes	20150801	In Progress
<b><i>Texas A&amp;M Engineering Extension Service</i></b>		
Review of Health, Safety, and Environmental Management	20150901	4/15/2015
Information Systems Logical Security Controls Review		Cancelled
<b><i>Texas A&amp;M Transportation Institute</i></b>		
Review of Proving Grounds Research Facility Compliance for International Standards Accreditation	20151201	1/27/2015
Information Systems Logical Security Controls Review		Cancelled
<b><i>A&amp;M System Offices</i></b>		
Review of Technology Commercialization	20150105	4/15/2015
** Review of Single Sign-On System-wide Applications	20150107	8/20/2015
** Review of FAMIS	20160108	In Progress
** Review of BPP	20160107	In Progress
Review of Cash and Investments	20150108	8/20/2015
<b><i>System-Wide Audits</i></b>		
Review of Title IX-Sexual Violence Policies and Procedures	20150101	4/15/2015
Review of Disaster Recovery Planning	20150104	8/20/2015
Review of Clery Act Annual Campus Security Reports	20150115	In Progress
Review of Capital Planning	20160109	In Progress
Review of Animal Care and Use Outside Brazos County	20150113	In Progress

\* Changed and broadened the scope of the audit to include university financial management services.

\*\* Divided the original audit into three audits.

## Deviations from Fiscal Year 2015 Audit Plan

The following audits were cancelled during fiscal year 2015:

- Logical Security Review of Information Systems - Texas A&M Transportation Institute, Texas A&M Engineering Extension Service, and West Texas A&M University – *These three members have engaged the services of the Texas A&M Engineering Extension Service (TEEX) Cyber Security Unit to conduct logical security reviews. The TEEX Cyber Security Unit review will cover the security risk areas we planned to review in our audit.*
- Review of Student Financial Aid - Tarleton State University – *The university has several initiatives and process changes occurring in 2015 and requested we postpone the audit. The university contracted with external parties to conduct a review of their student financial aid area, make recommendations for improvement and provide training. Due to this level of activity in the university's student financial aid operations, we moved the audit to fiscal year 2017.*
- Review of Research Compliance - Prairie View A&M University – *We cancelled this audit because the System Ethics and Compliance Office recently conducted a compliance review of this area.*

#### **IV. Consulting Services and Nonaudit Services**

This section contains a listing of consulting and nonaudit services completed in fiscal year 2015.

**Consulting Services and Nonaudit Services  
Completed in Fiscal Year 2015**

<b>Report No.</b>	<b>Report Date</b>	<b>Project Name</b>	<b>Project Objective(s)</b>	<b>Observations/Results and/or Recommendations</b>
20140213	10/31/2014	Change in Management Review of the President of Texas A&M University	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming President with a current assessment of operations.	Suggestions for improvement were made related to enhancing the strategic planning process, reassessing the university's organizational structure, identifying additional revenue sources, gaining a clear understanding of affiliated agencies and organizations, and addressing information technology recommendations made to the university in a recent consulting report.
20152501	1/14/2015	Change in Management Review of the Vice President for Finance and Administration at Texas A&M University – San Antonio.	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Vice President for Finance and Administration with a current assessment of operations.	Suggestions for improvement were made related to organizational structure, enhancing communication with the executive team and the campus community, funding and budgeting needs for continuing and upcoming programs, and the importance of change management in a rapidly growing institution.
20152502	1/6/2015	Quick Review of University Communications at Texas A&M University – San Antonio	To provide an independent assessment of current operations and management of University Communications.	Suggestions for improvement were made related to alignment of organizational structure, delegating more responsibility to the departmental staff, budgeting, and purchasing processes.
20150205	5/6/2015	Quick Review of Data and Research Services Data Exposure at Texas A&M University	Determine the events and circumstances leading to the exposure of employees' social security numbers on Texas A&M University web site.	Results are confidential and excepted from public disclosure as allowed under Chapter 552.139 of the Texas Government Code.
N/A	N/A	System-wide Continuous Audit of 2014 Student Financial Aid	To perform continuous auditing of student financial aid data through the use of computer assisted audit tools.	Results were provided to members for review.

## **V. External Quality Assurance Review (Peer Review)**

This section contains the most recent peer review report for the System Internal Audit Department, dated June 12, 2015.



June 12, 2015

Catherine A. Smock, Chief Auditor  
System Internal Audit Department  
Texas A&M University System  
Moore/Connolly Bldg., 4<sup>th</sup> Floor  
301 Tarrow  
College Station, Texas 77840-7896

Dear Ms. Smock:

In accordance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102), we have completed an external quality assurance review of the System Internal Audit Department (SIAD) of the Texas A&M University System.

Based on the information received and evaluated during this external quality assurance review, it is our opinion that SIAD generally conforms to the Institute of Internal Auditors *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act*. According to the IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*.

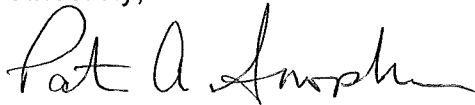
We found that SIAD is well managed internally, independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely. In addition, it was demonstrated that the chief auditor has effective relationships with the Board of Regents and is well respected and supported by management. Interviews conducted during the quality assurance review indicate that management considers SIAD a useful part of the overall operations and finds that

Catherine A. Smock  
Page 2  
June 12, 2015

the audit process and report recommendations add value and help improve the operations.

We appreciate the courtesies and considerations extended to us during our review by members of SIAD and the A&M System community.

Sincerely,



Patricia A. Snopkowski, Chief Audit Executive  
Oregon State University

Peer Review Team Members

Douglas D. Horr  
Executive Director  
University Compliance Services  
University of Miami

Brian D. Mikell  
Chief Audit Executive  
Office of Internal Audit  
University of Florida

Kevin Robinson  
Executive Director  
Internal Auditing  
Auburn University

c: John Sharp, Chancellor  
Judy Morgan, Chair, Board of Regents Committee on Audit

## **VI. Internal Audit Plan for Fiscal Year 2016**

This section includes the approved internal audit plan for fiscal year 2016. The total budgeted hours for the audit plan is 34,000.





**THE TEXAS A&M  
UNIVERSITY SYSTEM**

## **System Internal Audit Department**

**Fiscal Year 2016 Audit Plan**



## System Internal Audit Department Fiscal Year 2016 Audit Plan

---

### **Introduction**

The purpose of the Audit Plan is to outline audits and other activities the System Internal Audit Department will conduct during fiscal year 2016. The plan is developed to satisfy responsibilities established by the Board of Regents Bylaws, System Policy 10.01, Section 2102.008 of the Government Code, and applicable auditing standards. The Chief Auditor is authorized to make changes to the Plan, as deemed necessary, to address changes in identified risks. The Committee on Audit and the Chancellor will be notified of any significant additions, deletions, or other changes to the Audit Plan.

The types of audits listed in this Plan demonstrate the variety of approaches the System Internal Audit Department takes to address its mission of helping The Texas A&M University System achieve its goals and objectives in an efficient and effective manner. Audits included in this Plan were primarily identified through a system-wide risk assessment process. However, some of the audits included are performed to assist the A&M System in complying with external requirements. In order to more effectively utilize audit resources and to provide better information related to certain risk areas that span across the A&M System, the department has initiated the use of system-wide audits. As a result of the system-wide audits and the overall system-wide risk assessment process, some of the A&M System members do not have any specifically planned audits in the fiscal year 2016 audit plan. The members with no specifically planned audits include Texas A&M International University, Texas A&M University – San Antonio, Texas A&M Veterinary Medical Diagnostic Laboratory, Texas A&M Forest Service, and Texas A&M AgriLife Extension Service. Deliverables for planned audits may include a variety of services, including audit reports, technical assistance, data analysis, and other written and oral communications.

The specific scope of each audit in the Plan will be determined once the audit team has completed its audit planning process for each engagement. The audit planning process includes consideration of the risk management, control, and governance processes that provide reasonable assurance that:

- Risks are appropriately identified and managed.
- Information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently, and adequately protected.
- Accountability systems are in place to ensure organizational and program missions, goals, plans, and objectives are achieved.



## System Internal Audit Department Fiscal Year 2016 Audit Plan

---

### **Planned Audits for Fiscal Year 2016**

#### **SYSTEM-WIDE AUDITS**

Compliance with Benefits Proportional by Fund Requirements\*  
Payroll  
Time and Effort Reporting for the Major Research Entities  
Major Construction Projects Handled through Facilities Planning and Construction  
Construction Project Reporting to the Texas Higher Education Coordinating Board\*

Note: These audits will include the applicable Texas A&M University System members.

#### **A&M SYSTEM OFFICES**

Information Technology Governance and General Controls  
Easterwood Airport Operations

#### **TEXAS A&M UNIVERSITY**

Accounts Receivables  
Athletic Department Administration  
Controlled Substances  
Division of Research - Information Technology  
Export Controls  
Health Science Center Contract Administration  
Information Technology Governance and General Controls  
Office of the Provost - Information Technology  
Student Counseling Services  
Student Health Services  
Transportation Services  
Utilities and Energy Services

#### **PRAIRIE VIEW A&M UNIVERSITY**

Learning Management System General and Application Controls  
Tuition and Fees

#### **TARLETON STATE UNIVERSITY**

Human Resources for Faculty and Staff

#### **TEXAS A&M UNIVERSITY - CENTRAL TEXAS**

Financial Management Services Operations  
Student Information System General and Application Controls

\*These audits are required to be performed to comply with external audit requirements.



**System Internal Audit Department  
Fiscal Year 2016 Audit Plan**

---

**TEXAS A&M UNIVERSITY – COMMERCE**

Governance

**TEXAS A&M UNIVERSITY – CORPUS CHRISTI**

Information Technology Governance and General Controls

**TEXAS A&M UNIVERSITY - KINGSVILLE**

Human Resources for Faculty and Staff  
Learning Management System General and Application Controls

**TEXAS A&M UNIVERSITY - TEXARKANA**

Housing Operations

**WEST TEXAS A&M UNIVERSITY**

Auxiliary Services - Bookstore, Housing, and Athletics

**TEXAS A&M ENGINEERING EXPERIMENT STATION**

Export Controls  
Information Technology Governance and General Controls

**TEXAS A&M ENGINEERING EXTENSION SERVICE**

Student Systems General and Application Controls

**TEXAS A&M TRANSPORTATION INSTITUTE**

Proving Grounds Research Facility Compliance with ISO Standards\*  
Health, Safety and Environmental Management

**TEXAS A&M AGRILIFE RESEARCH**

Export Controls

\*These audits are required to be performed to comply with external audit requirements.



## System Internal Audit Department Fiscal Year 2016 Audit Plan

---

### **Other Types of Audits/Activities**

#### **Follow-up Audits**

Conduct follow-up audits on management's implementation of prior audit recommendations to determine if management has adequately addressed the issues.

#### **Change in Management Reviews**

Conduct change in management reviews, on an as-needed basis, when there is a change in an executive management position within the A&M System.

#### **Continuous Auditing**

Continuous auditing is the application of computer assisted audit tools and techniques on organizational processes, transactions, systems and/or controls to provide greater audit coverage. Benefits of continuous auditing include the review of 100% of auditable transactions/data versus a sampling, the identification of errors or other issues through frequent monitoring and review, and the facilitation of trend analysis to identify problems and/or other concerns.

#### **Participation and/or Assistance**

Internal audit staff may participate and/or assist A&M System members in developing and maintaining strong governance, risk management, and control processes and systems. Activities may include serving as a member of a work group, participating in the design of a major information system, or providing consultative advice on financial, operational, and compliance issues. The staff may also perform work to support external audit requirements.

\*These audits are required to be performed to comply with external audit requirements.

**The Texas A&M University System  
Internal Audit Department**

**Fiscal Year 2016 Audit Plan**

---

**DESCRIPTION OF RISK ASSESSMENT METHODOLOGY**

The development of our annual audit plan is based on a rigorous risk-based approach. Our process includes meeting with each A&M System member CEO and their executive team. We also meet with members of the Chancellor's executive committee to get information on risks facing the A&M System in the upcoming 12 to 18 months. During the CEO meetings financial, strategic, compliance, and other potential significant risk areas are discussed. Using information gathered from these meetings, our members' most recent enterprise risk management information, and prior audit coverage we analyze risks associated with over 400 auditable units. The auditable units include areas such as governance, finance, research, information technology, auxiliary enterprises and student services. Our plan is not a static document; risks may change during the year and audits may need to be added or cancelled due to changing risks. Any significant changes to the plan are communicated to the Committee on Audit.

This collection of information provides the means to assess the risk for each auditable unit of each A&M System member, and ultimately prioritize the list of auditable units based upon their overall risk to the organization. Those auditable units with the highest calculated risk for the A&M System are included in the annual audit plan.

## Internal Audit Plan for Fiscal Year 2016

Listing of Projects included in the Fiscal Year 2016 Audit Plan which address the following:

### Expenditure Transfers:

#### **SYSTEM-WIDE AUDITS**

Compliance with Benefits Proportional by Fund Requirements

### Capital Budget Controls:

#### **SYSTEM-WIDE AUDITS**

Major Construction Projects Handled through Facilities Planning and Construction

### Contract Management:

#### **SYSTEM-WIDE AUDITS**

Major Construction Projects Handled through Facilities Planning and Construction

#### **A&M SYSTEM OFFICES**

Easterwood Airport Operations

#### **TEXAS A&M UNIVERSITY**

Athletic Department Administration  
Controlled Substances  
Health Science Center Contract Administration  
Transportation Services  
Utilities and Energy Services

#### **TEXAS A&M UNIVERSITY – CENTRAL TEXAS**

Financial Management Services Operations

#### **TEXAS A&M UNIVERSITY – TEXARKANA**

Housing Operations

#### **WEST TEXAS A&M UNIVERSITY**

Auxiliary Services – Bookstore, Housing, and Athletics

## **VII. External Audit Services Procured in Fiscal Year 2015**



## **EXTERNAL AUDITS**

External audits were conducted at the following A&M System members during fiscal year 2015:

### **Prairie View A&M University**

NCAA Agreed-Upon Procedures Audit  
Agreed-Upon Procedures Audit of KPVO Radio Station

### **Texas A&M University**

Financial Audit of TAMU Office in Mexico  
NCAA Agreed-Upon Procedures Audit  
Financial Audit of Federal Aviation Administration Passenger Facility Charge  
Financial Audit of KAMU Radio Station  
Financial Audit of KAMU TV Station  
Program Specific Audit related to Expenditures of the Cancer Prevention  
and Research Institute of Texas Awards for Fiscal Year 2014

### **Texas A&M Health Science Center**

Program Specific Audit related to Expenditures of the Cancer Prevention and  
Research Institute of Texas Awards for Fiscal Year 2014

### **Texas A&M University – Commerce**

Agreed-Upon Procedures Audit of the Texas A&M – Commerce Foundation  
Agreed-Upon Procedures Audit of KETR-FM Radio Station  
NCAA Agreed-Upon Procedures Audit

### **Texas A&M University – Corpus Christi**

NCAA Agreed-Upon Procedures Audit  
Financial Review for Texas Connection Consortium

### **Texas A&M International University**

NCAA Agreed-Upon Procedures Audit

### **West Texas A&M University**

Agreed-Upon Procedures Audit of the West Texas A&M University  
Foundation

## **EXTERNAL AUDITS**

### **Texas A&M AgriLife Research**

Program Specific Audit related to Expenditures of the Cancer Prevention and Research Institute of Texas Awards for Fiscal Year 2014

### **Texas A&M AgriLife Extension Service**

Program Specific Audit related to Expenditures of the Cancer Prevention and Research Institute of Texas Awards for Fiscal Year 2014

### **Texas A&M Engineering Experiment Station**

Program Specific Audit related to Expenditures of the Cancer Prevention and Research Institute of Texas Awards for Fiscal Year 2014

## **VIII. Reporting Suspected Fraud and Abuse**

This section includes information on reporting suspected fraud and abuse.

## Reporting Suspected Fraud and Abuse

Texas Government Code reporting requirements:

The Texas A&M University System Internal Audit Department has a separate investigative unit responsible for investigating allegations of fraud, waste, abuse, and other forms of misconduct. The investigative unit reports to the State Auditor's Office significant incidences that the department believes involve fraud, misappropriation or misuse of money received by the A&M System from the state.

General Appropriations Act fraud reporting requirements:

Every member of the A&M System has placed the required fraud reporting information on their web sites. This includes a link to the A&M System's Risk, Fraud & Misconduct Hotline, as well as a link to the State Auditor's Office Fraud, Waste or Abuse Hotline website and toll-free telephone number. The A&M System's fraud policy, *Control of Fraud, Waste and Abuse*, establishes the responsibilities of the employees, management, and Internal Audit related to the prevention, deterrence, detection, and investigation of fraud, waste, and abuse. <http://policies.tamus.edu/10-02.pdf> .