

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

**INTERNAL AUDIT ANNUAL REPORT  
FOR FISCAL YEAR 2016**



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**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 include all required audit information on our Internet web site. The annual internal audit plan, the internal audit annual report, and audit reports are included in the electronic reports section of the web site. Each audit report includes observations and management's responses for addressing the observations. All of the required audit information as defined in Texas Government Code, Section 2102.015 is added to the Internal Audit Department's Internet web site within 30 days of completion.

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

This section includes the status of audits in the internal audit plan for fiscal year 2016.

**Texas A&M University System**  
**Status of Internal Audit Plan for Fiscal Year 2016**

Audit Name By System Member	Report #	Report Date
<b><i>Prairie View A&amp;M University</i></b>		
Tuition and Fees		Cancelled
Learning Management System General and Application Controls	20160503	10/17/2016
<b><i>Tarleton State University</i></b>		
Human Resources for Faculty and Staff		Cancelled
<b><i>Texas A&amp;M University</i></b>		
Accounts Receivables		Cancelled
Controlled Substances	20160202	4/19/2016
Transportation Services	20160205	4/19/2016
Information Technology Governance and General Controls	20160203	5/24/2016
Division of Research - Information Technology	20160207	6/17/2016
Export Controls	20160204	6/17/2016
Office of the Provost - Information Technology	20160211	9/26/2016
Athletic Department Administration	20160206	10/17/2016
Health Science Center Contract Administration	20162301	In Progress
Student Counseling Services	20160209	In Progress
Student Health Services	20160208	In Progress
Utilities and Energy Services	20160212	In Progress
<b><i>Texas A&amp;M University-Central Texas</i></b>		
Financial Management Services Operations	20162401	9/26/2016
Student Information System General and Application Controls	20162401	9/26/2016
<b><i>Texas A&amp;M University-Commerce</i></b>		
Governance	20162101	4/19/2016
<b><i>Texas A&amp;M University-Corpus Christi</i></b>		
Information Technology Governance and General Controls	20161501	In Progress
<b><i>Texas A&amp;M University-Kingsville</i></b>		
Learning Management System General and Application Controls	20161702	8/15/2016
Human Resources for Faculty and Staff	20161703	In Progress
<b><i>Texas A&amp;M University-Texarkana</i></b>		
Housing Operations	20162201	In Progress

**Texas A&M University System**  
**Status of Internal Audit Plan for Fiscal Year 2016**

Audit Name By System Member	Report #	Report Date
<b><i>West Texas A&amp;M University</i></b>		
Auxiliary Services - Bookstore, Housing, and Athletics	20161801	In Progress
<b><i>Texas A&amp;M AgriLife Research</i></b>		
Export Controls	20160601	In Progress
<b><i>Texas A&amp;M Engineering Experiment Station</i></b>		
Information Technology Governance and General Controls	20160801	5/24/2016
Export Controls	20160803	10/17/2016
<b><i>Texas A&amp;M Engineering Extension Service</i></b>		
Student Systems General and Application Controls	20160901	7/20/2016
<b><i>Texas A&amp;M Transportation Institute</i></b>		
Proving Grounds Research Facility Compliance with ISO Standards *	20161202	12/18/2015
Health, Safety and Environmental Management	20161201	6/17/2016
<b><i>A&amp;M System Offices</i></b>		
Easterwood Airport Operations		Cancelled
Major Construction Projects Handled through Facilities Planning and Construction	20160109	7/20/2016
Construction Project Reporting to the Texas Higher Education Coordinating Board *	20160109	7/20/2016
Information Technology Governance and General Controls	20160114	8/15/2016
<b><i>System-Wide Audits</i></b>		
Compliance with Benefits Proportional by Fund Requirements **	20160105	8/15/2016
Time and Effort Reporting for Major Research Entities	20160112	9/26/2016
Payroll	20160106	In Progress

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

\*\* This audit was performed to address the benefits proportionality audit requirement prescribed in Rider 8, page III-41, the General Appropriations Act (84th Legislature).

## **Deviations from Fiscal Year 2016 Audit Plan**

The following audits were cancelled during fiscal year 2016:

- Human Resources for Faculty and Staff – Tarleton State University – We cancelled this audit because the Texas Workforce Commission's Civil Rights Division recently completed a review of personnel policies and procedures at Tarleton State University for fiscal year 2015. The audit did not identify any recommendations for improvement.
- Tuition and Fees – Prairie View A&M University - We moved this audit to the fiscal year 2017 audit plan due to flooding on campus that resulted in the temporary relocation of personnel and records while repairs are being made to the affected building.
- Accounts Receivable – Texas A&M University - We moved this audit to the fiscal year 2017 audit plan to allow the university's accounts receivable staff to complete implementation of the IPayments web-based payment processing software at Texas A&M University, Texas A&M University at Galveston, A&M System Offices, Texas A&M Health Science Center, Texas A&M Engineering Experiment Station, and the Texas A&M Agrilife Program.
- Easterwood Airport Operations – A&M System Offices - We moved this audit to the fiscal year 2017 audit plan because amendments to the management contract have been executed very recently to provide enhanced monitoring opportunities for the A&M System.

### **Senate Bill 20 (84<sup>th</sup> Legislature) – Texas Education Code Section 51.9337**

Based on a review of current Texas A&M University System policies, procedures, forms, and checklists, it was determined that the A&M System has adequately adopted the rules and policies required by Senate Bill 20. Compliance with these rules and policies will be assessed during audits of the purchase of goods and services by A&M System members as part of the annual risk-based audit plan.



### **III. Consulting Services and Nonaudit Services Completed**

This section contains a listing of consulting and nonaudit services completed in fiscal year 2016.

**Consulting Services and Nonaudit Services  
Completed in Fiscal Year 2016**

<b>Report No.</b>	<b>Report Date</b>	<b>Project Name</b>	<b>Project Objective(s)</b>	<b>Observations/Results and/or Recommendations</b>
20151503	10/06/2015	Change in Management Review of the Provost and CFO positions at Texas A&M University-Corpus Christi	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Provost and CFO with a current assessment of operations.	Suggestions for improvement were provided to the new Provost and CFO.
20151704	12/03/2015	Change in Management Review of the Provost position at Texas A&M University-Kingsville	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Provost with a current assessment of operations.	Suggestions for improvement were provided to the new Provost.
20160201	01/14/2016	Change in Management Review of the Vice President of Student Affairs at Texas A&M University	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Vice President of Student Affairs with a current assessment of operations.	Suggestions for improvement in several areas were provided to the new Vice President.
20150208	01/21/2016	Change in Management Review of the Senior Vice President and Dean of the College of Medicine position at Texas A&M University	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Senior Vice President and Dean with a current assessment of operations.	Suggestions for improvement were provided to the new Senior Vice President and Dean of the College of Medicine.
20160113	04/22/2016	Quick Review of Clery Act Reporting Compliance	The objective of this review was to determine whether member university procedures for collecting and reporting required information are in compliance with recent recommendations resulting from Department of Education Title IV program reviews.	Results were provided to members.

**Consulting Services and Nonaudit Services  
Completed in Fiscal Year 2016**

Report No.	Report Date	Project Name	Project Objective(s)	Observations/Results and/or Recommendations
20161701	Verbally communicated to Texas A&M University System Executives	Quick Review of B-On-Time Funds	On August 24, 2015, the Texas Higher Education Coordinating Board (THECB) issued a memo regarding timely returns of B-On-Time loan program funds. Further, THECB requested that higher education institutions perform a review of prior year disbursements to ensure unreimbursed loan funds had been returned to the agency. System Internal Audit was asked to follow up with the A&M System universities regarding the timely return of B-On-Time and FFELP loan funds.	Results were provided to members.

#### **IV. 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*.

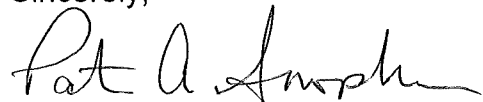
We found that SIAD is well managed internally, independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; 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  
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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

## **V. Internal Audit Plan for Fiscal Year 2017**

This section includes the approved internal audit plan for fiscal year 2017. The total budgeted hours for the audit plan is 34,000.



**THE TEXAS A&M  
UNIVERSITY SYSTEM**

## **System Internal Audit Department**

**Fiscal Year 2017 Audit Plan**





## System Internal Audit Department Fiscal Year 2017 Audit Plan

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### **Introduction**

The purpose of the audit plan is to outline audits and other activities the System Internal Audit Department will conduct during fiscal year 2017. 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 audits in the plan provide a systematic and objective approach to assist The Texas A&M University System in achieving its goals and objectives in an efficient and effective manner. The audits included in this plan were primarily identified through a system-wide risk assessment process, although some of the audits are performed to assist the A&M System in complying with external requirements. Deliverables for planned audits may include audit reports, technical assistance, data analysis, and other written and oral communications.

The specific scope of each audit will be determined once the audit team has completed the planning process for the audit, which includes consideration of the governance, risk management and control 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 2017 Audit Plan**

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**Planned Audits for Fiscal Year 2017**

**A&M SYSTEM OFFICES**

Easterwood Airport Operations  
Debt Service  
Workday Implementation

**TEXAS A&M UNIVERSITY**

College of Veterinary Medicine & Biomedical Sciences – Information Technology  
College of Liberal Arts – Information Technology  
Texas A&M University at Galveston – Information Technology  
Accounts Receivable  
Health and Safety  
Memorial Student Center  
NCAA Compliance  
Sponsored Research Services

**PRAIRIE VIEW A&M UNIVERSITY**

Tuition and Fees

**TARLETON STATE UNIVERSITY**

Athletics Health  
and Safety

**TEXAS A&M INTERNATIONAL UNIVERSITY**

Tuition and Fees  
Information Technology Governance Practices and General Controls

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

Information Technology Governance Practices and General Controls

**TEXAS A&M UNIVERSITY – COMMERCE**

Health and Safety

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

Athletics Health  
and Safety  
Tuition and Fees



**System Internal Audit Department  
Fiscal Year 2017 Audit Plan**

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**TEXAS A&M UNIVERSITY – KINGSVILLE**

Contract Administration  
Tuition and Fees

**TEXAS A&M UNIVERSITY – SAN ANTONIO**

Information Technology Governance Practices and General Controls

**TEXAS A&M UNIVERSITY – TEXARKANA**

Athletics  
Information Technology Governance Practices and General Controls

**WEST TEXAS A&M UNIVERSITY**

Tuition and Fees

**TEXAS A&M ENGINEERING EXPERIMENT STATION**

Financial Management Services

**TEXAS A&M FOREST SERVICE**

Volunteer Fire Department Assistance Grants  
Information Technology Governance Practices and General Controls

**TEXAS A&M TRANSPORTATION INSTITUTE**

Proving Grounds Research Facility Compliance with ISO Standards\*

**TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY**

Information Technology Governance Practices and General Controls

\*This audit is required to be performed to comply with external audit requirements.



## System Internal Audit Department Fiscal Year 2017 Audit Plan

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### **Other Types of Audits and Activities**

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

Follow-up audits will be conducted to determine if management has adequately addressed prior audit recommendations.

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

Change in management reviews will be conducted on an as-needed basis when a change in an executive management position occurs.

#### **Assistance**

Assistance will be provided as needed to A&M System members in developing and maintaining strong governance, risk management, and control processes and systems. Internal Audit may participate in work groups, major information system design, or provide consultative advice on financial, operational, and compliance issues. Internal Audit may also perform work to support external audit requirements.

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

**Fiscal Year 2017 Audit Plan**

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**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, as well as, members of the Chancellor's executive committee to obtain information on risks facing the A&M System in the upcoming 12 to 18 months. During the 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. Also considered for the fiscal year 2017 audit plan were risks associated with benefits proportionality as described in Rider 8, page III-41, the General Appropriations Act (84<sup>th</sup> Legislature) and contract administration as described in Senate Bill 20. Our plan is not a static document; risks may change during the year and as a result, audits may need to be added or cancelled. Any significant changes to the plan are communicated to the Committee on Audit.

This collection of information provides the means to assess the risks for the auditable units 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 2017

Listing of Projects included in the Fiscal Year 2017 Audit Plan which address the following:

### Capital Budget Controls:

#### **A&M System Offices**

Debt Service

### Contract Management:

#### **A&M System Offices**

Easterwood Airport Operations

Workday Implementation

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

Health and Safety

Sponsored Research Services

Memorial Student Center

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

Contract Administration

#### **Texas A&M University – San Antonio**

Information Technology Governance Practices and General Controls

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

Financial Management Services

#### **Texas A&M Forest Service**

Volunteer Fire Department Assistance Grants

There will also be follow-up audits related to financial administration and contract management.

## **VI. External Audit Services Procured in Fiscal Year 2016**

## **EXTERNAL AUDITS**

External audits were conducted at the following A&M System members during fiscal year 2016:

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

Financial Audit of Texas A&M University Office in Mexico  
NCAA Agreed-Upon Procedures Audit  
Financial Audit of KAMU-TV Station  
Financial Audit of KAMU-FM Radio Station  
Joint Admission Medical Program Engagement  
Program Specific Audit related to Expenditures of the Cancer Prevention and Research Institute of Texas Awards for Fiscal Year 2015

### **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 2015

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

Joint Admission Medical Program Engagement

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

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

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

NCAA Agreed-Upon Procedures Audit

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

Financial Statement Review for Southern Association of Colleges and Schools Commission on Colleges Reaffirmation

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

Agreed-Upon Procedures for Compliance Review of Athletics  
Agreed-Upon Procedures Audit of the West Texas A&M University Foundation  
Financial Statement Review for Southern Association of Colleges and Schools Commission on Colleges Reaffirmation



## **EXTERNAL AUDITS**

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

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

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

NCAA Agreed-Upon Procedures Audit

### **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 2015

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

Program Specific Audit related to Expenditures of the Cancer Prevention and  
Research Institute of Texas Awards for Fiscal Year 2015

### **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 2015

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

This section includes information on reporting suspected fraud, waste and abuse.

## Reporting Suspected Fraud, Waste and Abuse

Texas Government Code reporting requirements:

The Texas A&M University System Internal Audit Department is responsible for reviewing allegations of fraud, waste and abuse. Internal Audit reports to the State Auditor's Office significant incidences that the department believes involve fraud, misappropriation or misuse of funds 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>.