

The Texas A&M University System Internal Audit Department

**INTERNAL AUDIT ANNUAL REPORT
FOR FISCAL YEAR 2017**



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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**

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 2017

| Audit Title By System Member | Report # | Report Date |
|---|----------|-------------|
| <i>A&M System Offices</i> | | |
| Easterwood Airport Operations | 20170108 | In Progress |
| Debt Service | 20170106 | 8/15/2017 |
| Workday Implementation | 20170102 | 5/11/2017 |
| <i>Texas A&M University</i> | | |
| College of Veterinary Medicine & Biomedical Sciences - Information Technology | 20170202 | 4/18/2017 |
| College of Liberal Arts - Information Technology | 20170208 | 8/15/2017 |
| Texas A&M University at Galveston - Information Technology | 20170201 | 1/17/2017 |
| Accounts Receivable | 20170212 | In Progress |
| Health and Safety | 20170210 | In Progress |
| Memorial Student Center | 20170203 | 3/9/2017 |
| NCAA Compliance | 20170206 | 6/14/2017 |
| Sponsored Research Services | 20170207 | In Progress |
| College of Medicine - Financial Management Services | 20170209 | 10/10/2017 |
| <i>Prairie View A&M University</i> | | |
| Tuition and Fees | 20170501 | 5/11/2017 |
| <i>Tarleton State University</i> | | |
| Athletics | 20170403 | 8/15/2017 |
| Health and Safety | 20170401 | 7/20/2017 |
| <i>Texas A&M International University</i> | | |
| Tuition and Fees | 20171601 | 4/18/2017 |
| Information Technology | 20171602 | In Progress |
| <i>Texas A&M - Central Texas</i> | | |
| Information Technology | 20172401 | 7/20/2017 |
| <i>Texas A&M University - Commerce</i> | | |
| Health and Safety | 20172101 | 2/20/2017 |
| <i>Texas A&M University - Corpus Christi</i> | | |
| Athletics | 20171504 | 9/20/2017 |
| Health and Safety | 20171505 | 10/10/2017 |
| Tuition and Fees | 20171501 | 5/11/2017 |

| Audit Title By System Member | Report # | Report Date |
|--|----------|-------------|
| <i>Texas A&M University - Kingsville</i> | | |
| Contract Administration | 20171701 | 4/18/2017 |
| Tuition and Fees | 20171702 | 7/20/2017 |
| <i>Texas A&M University - San Antonio</i> | | |
| Information Technology | 20172501 | 2/20/2017 |
| <i>Texas A&M University - Texarkana</i> | | |
| Athletics | 20172202 | 6/14/2017 |
| Information Technology | 20172201 | 3/9/2017 |
| <i>West Texas A&M University</i> | | |
| Tuition and Fees | 20171801 | 9/20/2017 |
| <i>Texas A&M Engineering Experiment Station</i> | | |
| Financial Management Services | 20170801 | 6/14/2017 |
| <i>Texas A&M Forest Service</i> | | |
| Volunteer Fire Department Assistance Grants | 20171102 | 4/18/2017 |
| Information Technology | 20171101 | 8/15/2017 |
| <i>Texas A&M Transportation Institute</i> | | |
| Proving Grounds Research Facility Compliance with ISO Standards* | 20171201 | 12/19/2016 |
| <i>Texas A&M Veterinary Medical Diagnostic Laboratory</i> | | |
| Information Technology | 20172001 | 8/15/2017 |

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

Deviations from Fiscal Year 2017 Audit Plan

The following audit was added during fiscal year 2017:

Financial Management Services – Texas A&M University – College of Medicine - This audit was added due to the recent merger of the Texas A&M Health Science Center with Texas A&M University, the Institute of Biosciences and Technology becoming a part of the College of Medicine, and the recent appointment of Dr. Carrie Byington as the new Dean of the Texas A&M College of Medicine, Senior Vice President of the Texas A&M Health Science Center and Vice Chancellor for Health Services at The Texas A&M University System.

Senate Bill 20 (85th 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

| Review Title | Report Date | Objective(s) | Observations/Results and/or Suggestions |
|--|-------------|--|--|
| Change in Management Review of the President at West Texas A&M University | 9/28/16 | 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 provided. |
| Nursing Shortage Reduction Under 70 Program Review at Tarleton State University | 1/19/17 | The objective was to determine if the university's Professional Nursing Shortage Reduction Under 70 Program award received for fiscal years 2012 and 2013 was expended in compliance with allowable costs in accordance with the terms of the THECB Program Announcement restrictions. | Professional Nursing Shortage Reduction Under 70 Program award received for fiscal years 2012 and 2013 totaling \$1,160,000 was expended in compliance with allowable costs in accordance with the terms of the Texas Higher Education Coordinating Board (THECB) Program Announcement restrictions. |
| Change in Management Review of the Agency Director at the Texas A&M Transportation Institute | 5/19/17 | The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming agency director with a current assessment of operations. | Suggestions for improvement were provided. |
| Change in Management Review of the President at Texas A&M University – Corpus Christi | 6/5/17 | 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 provided. |
| Review of Recreational Sports at Texas A&M University - Kingsville | 5/19/17 | The objective was to review and assess certain organizational, fiscal and operational information in the Department of Recreational Sports. | Suggestions for improvement were provided. |

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., 4th 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 2018

This section includes the approved internal audit plan for fiscal year 2018. The total budgeted hours for the audit plan is 34,200.



**THE TEXAS A&M
UNIVERSITY SYSTEM**

System Internal Audit Department

Fiscal Year 2018 Audit Plan



System Internal Audit Department Fiscal Year 2018 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 2018. 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 2018 Audit Plan**

Planned Audits for Fiscal Year 2018

SYSTEMWIDE AUDIT

Compliance with Benefits Proportional by Fund Requirements*

A&M SYSTEM OFFICES

Construction Project Reporting to the Texas Higher Education Coordinating Board*

TEXAS A&M UNIVERSITY

College of Agriculture and Life Sciences – Information Technology
Mays Business School – Information Technology
School of Law – Information Technology
Accounts Payable
Facilities Condition
Form I-9 Processes
Recreational Sports
University Center

PRAIRIE VIEW A&M UNIVERSITY

Information Technology
Owens-Franklin Health Center
Research Administration

TARLETON STATE UNIVERSITY

Information Technology
Student Financial Aid

TEXAS A&M INTERNATIONAL UNIVERSITY

Health and Safety
Student Financial Aid

TEXAS A&M UNIVERSITY – CENTRAL TEXAS

Tuition and Fees

TEXAS A&M UNIVERSITY – COMMERCE

Information Technology
Research Administration

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



**System Internal Audit Department
Fiscal Year 2018 Audit Plan**

TEXAS A&M UNIVERSITY – CORPUS CHRISTI

Research Administration
University Police Department

TEXAS A&M UNIVERSITY – KINGSVILLE

Athletics Department
Health and Safety

TEXAS A&M UNIVERSITY – TEXARKANA

Financial Management Services

WEST TEXAS A&M UNIVERSITY

Information Technology

TEXAS A&M AGRILIFE EXTENSION SERVICE

Financial Management Services
Transportation and Fleet

TEXAS A&M AGRILIFE RESEARCH

Financial Management Services
Transportation and Fleet

TEXAS A&M ENGINEERING EXTENSION SERVICE

Export Controls
Information Technology

TEXAS A&M ENGINEERING EXPERIMENT STATION

Research Centers

TEXAS A&M TRANSPORTATION INSTITUTE

Information Technology
Proving Grounds Research Facility Compliance with ISO Standards*

TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY

Financial Management Services

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



System Internal Audit Department Fiscal Year 2018 Audit Plan

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 2018 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, 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 2018 audit plan were risks associated with benefits proportionality as described in Rider 8, page III-41, the General Appropriations Act (85th Legislature) and contract administration as described in Senate Bill 20. 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 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 2018

Listing of projects included in the fiscal year 2018 Audit Plan which address the following:

Benefits Proportionality

System-Wide Audit

Compliance with Benefits Proportional by Fund Requirements

Contract Management

Texas A&M University

Facilities Condition
Recreational Sports
University Center

Prairie View A&M University

Information Technology
Research Administration
Owens - Franklin Health Center

Texas A&M University – Commerce

Research Administration

Texas A&M University – Corpus Christi

Research Administration

Texas A&M International University

Health and Safety

Texas A&M University – Kingsville

Athletics
Health and Safety

Texas A&M Transportation Institute

Proving Grounds Research Facility Compliance with ISO Standards

Texas A&M Veterinary Medical Diagnostic Laboratory

Financial Management Services

Texas A&M AgriLife Extension Services

Financial Management Services

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VI. External Audit Services Procured in Fiscal Year 2017

System Offices

Financial Reporting and Compliance of Easterwood Airport
Financial Audit of the Texas A&M Research Foundation

Texas A&M University

Financial Audit of Texas A&M University Office in Mexico
Agreed-Upon Procedures for NCAA
Financial Audit of KAMU-TV Station
Financial Audit of KAMU-FM Radio Station
Program - Specific Audit of the Cancer Prevention & Research Institute of Texas
Grant Programs

Tarleton State University

Agreed-Upon Procedures for NCAA

Prairie View A&M University

Agreed-Upon Procedures for NCAA
Agreed-Upon Procedures of the KPVU Radio Station

Texas A&M Agrilife Research

Program - Specific Audit of the Cancer Prevention & Research Institute of Texas
Grant Programs

Texas A&M University – Corpus Christi

Agreed-Upon Procedures for NCAA

West Texas A&M University

Agreed-Upon Procedures for Compliance Review of Athletics
Agreed-Upon Procedures to the Administration of Athletics Department Funds
Agreed-Upon Procedures of the West Texas A&M Perkins Loan Program Close Out
Agreed-Upon Procedures of the West Texas A&M University Foundation

Texas A&M University – Commerce

Financial Audit of Texas A&M University – Commerce Alumni Association
Financial Audit of Texas A&M University – Commerce Foundation
Financial Audit of KETR-FM Radio Station

Texas A&M Health Science Center

Program - Specific Audit of the Cancer Prevention & Research Institute of Texas
Grant Programs

Texas Engineering Experiment Station

Program - Specific Audit of the Cancer Prevention & Research Institute of Texas
Grant Programs

VII. Reporting Suspected Fraud 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* (<http://policies.tamus.edu/10-02.pdf>), establishes the responsibilities of the employees, management, and Internal Audit related to the prevention, deterrence, detection, and investigation of fraud, waste, and abuse.