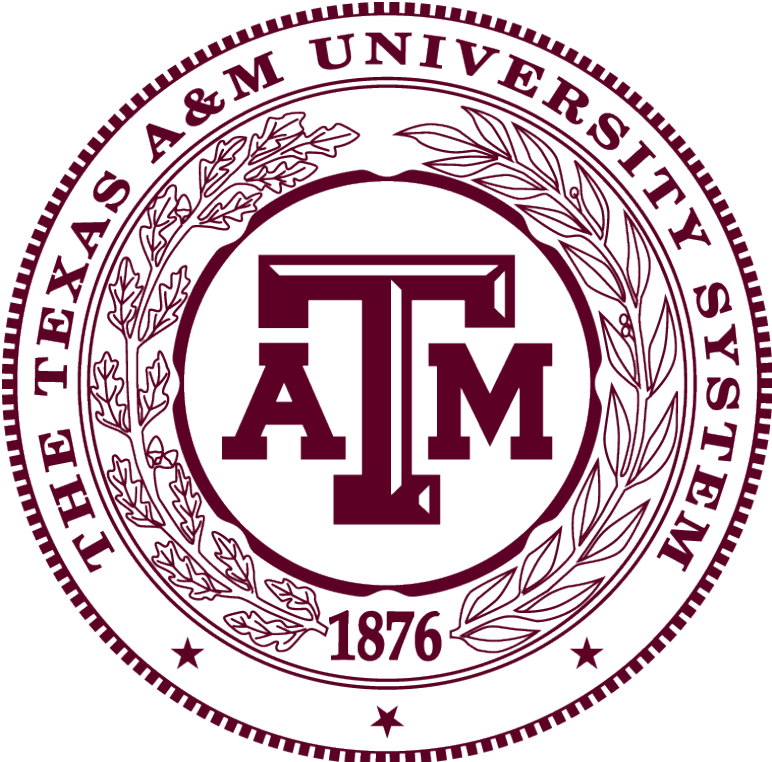


The Texas A&M University System Internal Audit Department

MONTHLY AUDIT REPORT



August 2, 2018



The Texas A&M University System Internal Audit Department  
August 2018

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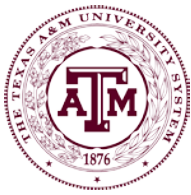
**TEXAS A&M UNIVERSITY**  
**University Center**

**August 2, 2018**

**Charlie Hrcir, C.P.A.**  
**Chief Auditor**

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**Project #20180211**



## Overall Conclusion

Internal controls over University Center and Special Events' (UCEN) operations at Texas A&M University are operating as intended. Opportunities for improvement were noted in financial reporting, operating reserve calculation, physical access to facilities, Event Management System (EMS) access, and employee safety training documentation.

### Audit Areas

- Contract administration
- Employee safety training
- Event Management System (EMS)
- Event risk management
- Financial reporting
- Physical access to facilities
- Rate setting
- Revenues/receivables/billing

Management concurred with the audit recommendations and indicated that implementation will occur by the end of December 2018.

## Detailed Results

### 1. Financial Reporting

**Financial statements and reports do not include a comprehensive assessment of the department's financial position.** Departmental Accounting Services (DAS) in the university's Division of Finance prepares UCEN's monthly financial statements comprised of a balance sheet demonstrating the financial position, a comprehensive income statement demonstrating financial performance, and individual income statements by account. The balance sheet is not prepared using an accrual basis of accounting and does not include all assets and liabilities. For example, the recorded amounts for accounts receivable and accounts payable in the Financial Accounting Management Information System (FAMIS) were not included on the balance sheets reviewed.

UCEN management reviews individual accounts in FAMIS regularly to ascertain financial position and had not discussed improving the monthly statements with DAS. Comprehensive financial reports are needed to ensure management has adequate information to make department financial decisions, and to support departmental rate setting and other internal control activities.

System Regulation 21.01.01, *Financial Accounting and Reporting*, encourages members to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of auxiliary enterprise operations for management to utilize in making decisions regarding auxiliary activities. The

National Association of College and University Officer's College and University Business Administration (NACUBO) further states that accounting records are essential to ascertain the degree of self-support of an auxiliary enterprise and to provide the basis for control. Financial reports should be based on the accrual method of accounting, designed to disclose the sources and uses of funds, and summarize financial and other management data in a meaningful way.

### Recommendation

Further develop financial reports/statements to provide a comprehensive assessment of the department's financial condition and performance including all UCEN FAMIS accounts. Prepare financial statements using the accrual basis of accounting and include all assets (accounts receivable, property and equipment, accumulated depreciation, etc.) and short- and long-term liabilities (accounts payable, debt service, etc.). Review financial information for accuracy and completeness at the appropriate level of management.

### Management's Response

UCEN will work with Departmental Accounting Services to modify current financial statements to use accrual basis accounting. All assets will be included as well as short- and long-term liabilities. The reports will be reviewed by the Director and Associate Director for Administration each month. Target date of completion is December 31, 2018.

## 2. Operating Reserve Calculation

**The calculation of the operating reserve is not formally documented to demonstrate compliance with the university rule.** UCEN does not utilize a proforma or other template to calculate the university required three-month operating reserve. Management reviews UCEN FAMIS accounts and expense subcodes annually to calculate the operating reserve, but was not aware of the need to document the calculation. Documentation of the calculation and comparison to the actual reserve balances reduces the risk of inadequate or excessive reserve funds.

University Rule 23.02.02.M1, *Reserve Requirements*, requires auxiliary departments to maintain a three-month operating reserve on an ongoing basis throughout the fiscal year.

### Recommendation

Develop a template to consistently calculate and document compliance with the university-required operating reserve. Periodically review and update the operating reserve calculation and compare to actual reserve balances throughout the fiscal year.

### Management's Response

UCEN business staff will develop a proforma to accurately and consistently calculate the university required operating reserve. The proforma will be run quarterly and checked against actual reserves. Target date of completion is December 31, 2018.

## 3. Physical Access to Facilities

**Management's listings of physical key custodians for UCEN facilities are inaccurate.** Forty-two of 133 (32%) individuals listed as key custodians are not current university employees. The buildings proctored by UCEN are occupied by many different departments. Supervisors or other departmental personnel are not notifying UCEN to update the key custodian when an employee leaves.

University Procedure 41.99.99.M0.01, *Building Proctor Position*, requires the building proctor to coordinate security and access. Inadequate controls over building keys increase the risk of theft and property damage and limits individual responsibility for safeguarding university assets.

### Recommendation

Develop and implement written procedures for timely update of physical key logs in the event of employee termination and change of custody. Implement a mechanism to ensure key custodian contact information (department name, position title, and custodian UIN) is tracked. Perform periodic reviews of physical keys to ensure custodian information is current and accurate.

### Management's Response

Written procedures will be developed and shared with UCEN staff instructing them on key policy and processing. All key transactions will be overseen and logged by the facilities coordinator. The facilities coordinator will conduct quarterly reviews of physical keys to ensure logged information is accurate. Target date of completion is December 31, 2018.

#### 4. Event Management System (EMS) Access

**EMS accounts are not deactivated timely for terminated employees.** Thirteen of 109 (12%) EMS user accounts reviewed belonged to individuals that are not current UCEN employees. EMS user accounts are not reviewed periodically to confirm user status. Termination dates occurred on average nearly 4 to 6 months prior to testing, increasing the risk for misuse of resources and inappropriate access to operational data.

University Security Controls Catalog, Section AC-2, *Account Management*, requires information custodians to document a process for removing the accounts of individuals who are no longer authorized to have access to information resources. Custodians must periodically review existing accounts for account management compliance.

##### Recommendation

Develop and implement written procedures to deactivate EMS access timely for terminated users. Implement a process to periodically review EMS user access reports to ensure user accounts are appropriate.

##### Management's Response

Written procedures for the deactivation of EMS account access will be developed by an associate director and shared with UCEN staff. EMS accounts will be deactivated immediately upon employee termination. Monthly checks will be conducted to ensure terminated employee access has been deactivated. Target date of completion is December 31, 2018.

#### 5. Employee Safety Training Documentation

**Completion of employee safety training is not documented.** UCEN has extensive training processes and requirements in place for employees covering job- and event-specific safety areas. UCEN management has discussed safety training documentation, but a process has not been formalized. Monitoring for timely completion of safety training reduces the risk of injury to staff, students, and patrons of events.

System Regulation 24.01.01, *Risk Management Programs*, requires members to identify general workplace hazards and risks, develop programs to reduce risk, and provide and document safety training to affected personnel prior to risk exposure.

Recommendation

Develop and implement a mechanism to document employee completion of department-required safety training. Include evidence of the job- or event-specific safety training as part of the documentation. Monitor safety training completion periodically.

Management's Response

A database will be created to log and track all staff training to include safety trainings. Descriptions of the training and the specific benefit to the position will be included in the database. Reports on completed training will be monitored quarterly. Target date of completion is December 31, 2018.



## **Basis of Review**

### Objective and Scope

The objective of this audit was to determine if internal controls over the University Center and Special Events' operations at Texas A&M University are effective, efficient, and in compliance with laws, policies, regulations, rules, and procedures.

The audit focused on contract administration, employee safety training, Event Management System (EMS), event risk management, financial reporting, physical access to facilities, rate setting, and revenues/receivables/billing. The audit period was primarily January 2017 to March 2018. Fieldwork was conducted from April 2018 to May 2018.

### Methodology

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

- To determine if contracts are approved and contract terms are monitored, auditors judgmentally selected a nonstatistical sample of two contracts.
- To test user access to EMS, auditors selected the population of 109 users assigned to UCEN templates.
- To test event risk management procedures, auditors judgmentally selected a nonstatistical sample of 60 events designed to be representative of the population.
- To determine if reconciliations for the secondary accounting system (Microsoft Access) are complete and agreed to FAMIS, auditors judgmentally selected a nonstatistical sample of two months.
- To determine if management financial reports are complete and agreed to FAMIS, auditors judgmentally selected a nonstatistical sample of two months.
- To determine if employees assigned physical keys to UCEN facilities are current employees, auditors selected the population of 133 employees from the key listings.

- To test the accuracy and completeness of revenues and receivables and to test billing procedures, auditors judgmentally selected a nonstatistical sample of 60 events designed to be representative of the population.

## Criteria

Our audit was based upon standards as set forth in the following:

- Texas A&M University System Policies and Regulations
- Texas A&M University Rules and Procedures
- National Association of College and University Officer's College and University Business Administration
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Team**

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