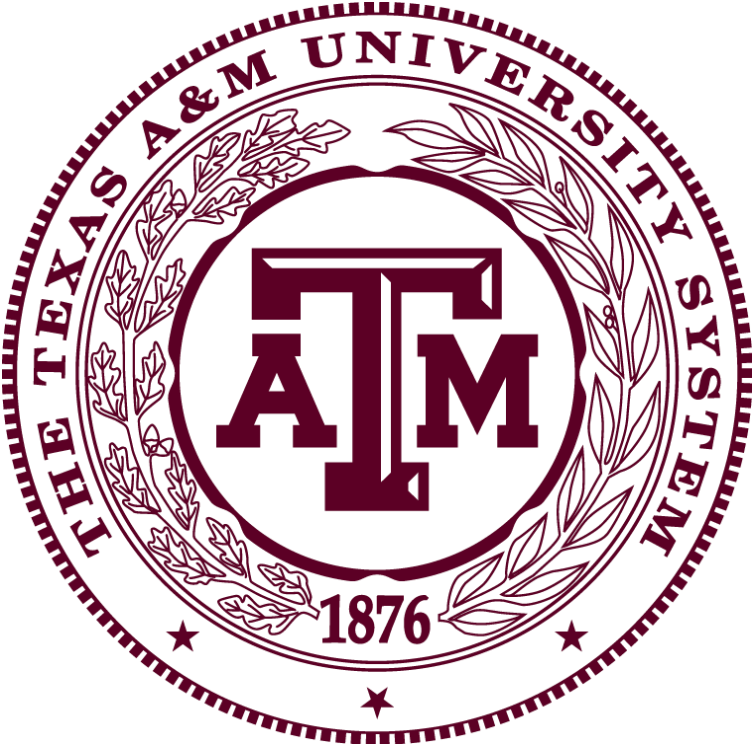


The Texas A&M University System Internal Audit Department

**INTERNAL AUDIT ANNUAL REPORT  
FOR FISCAL YEAR 2018**



## TABLE OF CONTENTS

	SECTION
<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>Internal Audit Plan for Fiscal Year 2018</b>	<b>II</b>
<b>Consulting Services and Nonaudit Services Completed</b>	<b>III</b>
<b>External Quality Assurance Review (Peer Review)</b>	<b>IV</b>
<b>Internal Audit Plan for Fiscal Year 2019</b>	<b>V</b>
<b>External Audit Services Procured in Fiscal Year 2018</b>	<b>VI</b>
<b>Reporting Suspected Fraud and Abuse</b>	<b>VII</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.**

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 2018

Audit Title By System Member	Report #	Report Date
<b><i>Systemwide Audit</i></b>		
Compliance with Benefits Proportional by Fund Requirements*	20180102	7/6/2018
<b><i>A&amp;M System Offices</i></b>		
Construction Project Reporting to the Texas Higher Education Coordinating Board*	20180101	11/16/2017
<b><i>Texas A&amp;M University</i></b>		
College of Agriculture and Life Sciences - Information Technology	20180209	7/6/2018
Mays Business School - Information Technology	20180203	1/18/2018
School of Law - Information Technology	20180215	In Progress
Accounts Payable	20180207	4/12/2018
Facilities Condition	20180202	2/14/2018
Form I-9 Processes	Cancelled	N/A
Recreational Sports	20180201	3/22/2018
University Center	20180211	8/3/2018
<b><i>Prairie View A&amp;M University</i></b>		
Information Technology	20180504	In Progress
Owens-Franklin Health Center	20180503	In Progress
Research Administration	20180506	10/8/2018
<b><i>Tarleton State University</i></b>		
Information Technology	20180402	7/6/2018
Student Financial Aid	20180403	8/3/2018
<b><i>Texas A&amp;M International University</i></b>		
Health and Safety	20181601	5/16/2018
Student Financial Aid	20181602	9/14/2018
<b><i>Texas A&amp;M - Central Texas</i></b>		
Tuition and Fees	20182401	6/8/2018
<b><i>Texas A&amp;M University - Commerce</i></b>		
Information Technology	20182102	4/12/2018
Research Administration	20182103	5/16/2018

Audit Title By System Member	Report #	Report Date
<b><i>Texas A&amp;M University - Corpus Christi</i></b>		
Research Administration	20181502	In Progress
University Police Department	20181501	3/22/2018
<b><i>Texas A&amp;M University - Kingsville</i></b>		
Athletics Department	20181703	In Progress
Health and Safety	20181701	1/18/2018
<b><i>West Texas A&amp;M University</i></b>		
Information Technology	20181801	8/3/2018
<b><i>Texas A&amp;M AgriLife Extension Service</i></b>		
Financial Management Services	20180606	10/8/2018
Transportation and Fleet	20180602	5/16/2018
<b><i>Texas A&amp;M AgriLife Research</i></b>		
Financial Management Services	20180606	10/8/2018
Transportation and Fleet	20180602	5/16/2018
<b><i>Texas A&amp;M Engineering Extension Service</i></b>		
Export Controls	20180901	3/22/2018
Information Technology	20180902	8/3/2018
<b><i>Texas A&amp;M Engineering Experiment Station</i></b>		
Research Centers	20180801	3/22/2018
<b><i>Texas A&amp;M Transportation Institute</i></b>		
Information Technology	20181202	7/6/2018
Proving Grounds Research Facility Compliance with ISO Standards*	20181201	In Progress
<b><i>Texas A&amp;M Veterinary Medical Diagnostic Laboratory</i></b>		
Financial Management Services	20180606	10/8/2018

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

## **Deviations from Fiscal Year 2018 Audit Plan**

The following audits were removed during fiscal year 2018:

Form I-9 Processes – Texas A&M University – This audit was proposed in anticipation that I-9 processing would be moved to a new software application in fiscal year 2018. According to management, the transition has not yet taken place and the current software system is still in use. We will evaluate I-9 processing as a potential audit in future audit plans.

### **Senate Bill 20 (85<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

Review Title	Report Date	Objective(s)	Observations/Results and/or Suggestions
Review of Foundation Financial Information at Texas A&M University – Texarkana	9/5/2017	Review financial information related to the Texas A&M University – Texarkana Foundation.	Suggestions for improvement were provided.
Change in Management Review for the Chief Financial Officer at Texas A&M University – Central Texas	9/29/2017	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Chief Financial Officer with a current assessment of operations.	Suggestions for improvement were provided to the incoming Chief Financial Officer.
Change in Management Review of the Provost at Texas A&M University	10/31/2017	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 incoming Provost.
System-Wide Review of Emergency Management Plans	12/15/2017	The objective was to determine if emergency management plans in place throughout the A&M System are in compliance with laws, policies, and regulations.	Suggestions for improvement were provided.
Financial Review of Housing at Texas A&M University - Commerce	12/21/2017	The objective was to review selected financial information for the housing operations at Texas A&M University – Commerce.	Suggestions for improvement were provided.
System-Wide Review of Required Training	3/1/2018	The objective was to survey members on their use of TrainTraQ reports to monitor overdue system-required training assignments.	Suggestions for improvement were provided.

*The Texas A&M University System  
Internal Audit Annual Report for Fiscal Year 2018*

<b>Review Title</b>	<b>Report Date</b>	<b>Objective(s)</b>	<b>Observations/Results and/or Suggestions</b>
Change in Management Review of the Vice Chancellor of Agriculture and the Dean of the College of Agriculture and Life Sciences at Texas A&M University	3/20/2018	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Vice Chancellor of Agriculture and Dean of the College of Agriculture and Life Sciences with a current assessment of operations.	Suggestions for improvement were provided to the incoming Vice Chancellor of Agriculture and Dean of the College of Agriculture and Life Sciences.
Change in Management Review of the Vice President for Research at Texas A&M University	4/24/2018	The objective was to review and assess certain organizational, fiscal and operational information to provide the incoming Vice President for Research with a current assessment of operations.	Suggestions for improvement were provided to the incoming Vice President for Research.
Review of System Office of Risk Management	6/13/2018	The objective was to review business processes in the System Office of Risk Management.	Suggestions for improvement were provided.
Review of the College of Dentistry Willard Body Program at Texas A&M University	6/27/2018	The objective was to review internal controls and monitoring activities related to the program.	Suggestions for improvement were provided.
Review of Rugby Team Accounts at Texas A&M University – Central Texas	7/18/2018	The objective was to review the financial accounts and related activity for the Warrior Rugby program at Texas A&M University – Central Texas.	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 5, 2018.

June 5, 2018

Mr. Charlie Hrcncir, Chief Auditor  
System Internal Audit Department  
Texas A&M University System  
Moore/Connolly Bldg., 4th Floor  
301 Tarrow  
College Station, Texas 77840-7896

Dear Mr. Hrcncir:

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

Based on our analyses of the information received during this review, it is our opinion that SIAD generally conforms to the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and the Code of Ethics, the United States Government Accountability Office *Generally Accepted 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 noted that SIAD has undergone significant change in both its leadership and staff since the last quality assurance review. To management's credit, despite these changes, the department continues to operate at a high level, exhibiting sound management principles, independence, and objectivity. In fact, the review team noted the implementation of new processes designed to enhance SIAD productivity and further department accountability and transparency. New staff members add fresh perspective to the function and appear qualified and proficient. Audits are well planned (including risk assessment techniques); fieldwork is performed appropriately; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

We also found that as the new chief auditor you continue to build effective relationships with the Board of Regents and are well respected and supported by management. Interviews conducted during our review indicate that management across the system considers the audit function a value-added and collaborative partner contributing to the enhancement of both campus-level and system operations.

We appreciate the cooperation and courtesies extended to us during our review by the internal audit team and the Texas A&M System community. Please do not hesitate to reach out to myself or any of the review team should you have any questions regarding the review.

Warm regards,



Douglas D. Horr  
Associate Vice Chancellor  
Audit, Risk & Advisory Services  
Vanderbilt University

Sandy Jansen  
Chief Audit & Compliance Officer  
Office of Audit & Compliance  
The University of Tennessee System

Jordan Ramsey  
Associate Director  
Office of Internal Audit  
Mississippi State University

Stacey Walker  
Director  
Internal Auditing  
Auburn University

c: Mr. John Sharp, Chancellor  
Mr. Cliff Thomas, Chair, Board of Regents Committee on Audit

## **V. Internal Audit Plan for Fiscal Year 2019**

This section includes the approved internal audit plan for fiscal year 2019. The total budgeted hours for the audit plan is 33,800.



**THE TEXAS A&M  
UNIVERSITY SYSTEM**

## **System Internal Audit Department**

**Fiscal Year 2019 Audit Plan**



## System Internal Audit Department Fiscal Year 2019 Audit Plan

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### **Planned Audits for Fiscal Year 2019**

#### **SYSTEMWIDE AUDITS**

Business Operations - Crops  
Export Controls Outside of Brazos County

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

Facilities Planning and Construction

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

College of Architecture – Information Technology  
Division of Marketing and Communication – Information Technology  
Division of Student Affairs – Information Technology  
University Libraries – Information Technology  
Corps of Cadets  
Department of Student Activities  
Human Subject Research  
Student Receivables  
University Police Department  
Veterinary Medicine Teaching Hospital – Financial Management Services  
Texas A&M University at Galveston - University Police Department

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

Athletics  
Financial Management Services  
University Police Department

#### **TARLETON STATE UNIVERSITY**

Financial Management Services  
Research Administration  
University Police Department

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

Athletics  
University Police Department

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

University Police Department



**System Internal Audit Department  
Fiscal Year 2019 Audit Plan**

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**TEXAS A&M UNIVERSITY – COMMERCE**

Athletics  
Student Financial Aid  
University Police Department

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

Student Financial Aid

**TEXAS A&M UNIVERSITY – KINGSVILLE**

Student Financial Aid  
Information Technology  
University Police Department

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

Financial Management Services  
University Police Department

**TEXAS A&M UNIVERSITY – TEXARKANA**

University Police Department

**WEST TEXAS A&M UNIVERSITY**

University Police Department

**TEXAS A&M AGRILIFE EXTENSION SERVICE**

Health and Safety

**TEXAS A&M AGRILIFE RESEARCH**

Health and Safety

**TEXAS A&M TRANSPORTATION INSTITUTE**

Financial Management Services



## **System Internal Audit Department Fiscal Year 2019 Audit Plan**

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The purpose of the audit plan is to outline audits and other activities the System Internal Audit Department will conduct during fiscal year 2019. 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 systemwide 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. This process includes consideration of the governance, risk management, and control processes that provide reasonable assurance that:

- Risks relating to the achievement of the system's strategic objectives are appropriately identified and managed.
- The actions of the system's officers, directors, employees, and contractors are in compliance with the system's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the system.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.



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

**Fiscal Year 2019 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, compliance plan information, and prior audit coverage we analyze risks associated with over 300 auditable units. The auditable units include areas such as finance, research, information technology, auxiliary enterprises and student services. Also considered for the fiscal year 2019 audit plan were risks associated with benefits proportionality as described in Rider 8, page III-41, the General Appropriations Act (85<sup>th</sup> Legislature) and applicable information technology risks related to Title I, Texas Administrative Code, Chapter 202, Information Security Standards. Our plan is not a static document; risks may change during the year and audits may need to be added or canceled 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 2019**

Listing of projects included in the Fiscal Year 2019 Audit Plan which address the following:

### *Benefits Proportionality*

*None*

### *Contract Management*

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

Facilities Planning and Construction

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

Department of Student Activities

Human Subject Research

Veterinary Medicine Teaching Hospital – Financial Management Services

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

Athletics

Financial Management Services

#### **Tarleton State University**

Financial Management Services

Research Administration

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

Athletics

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

Athletics

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

Financial Management Services

#### **Texas A&M Transportation Institute**

Financial Management Services

## **VI. External Audit Services Procured in Fiscal Year 2018**

### **System Offices**

Easterwood Airport Passenger Facility Charges

### **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 Cancer Prevention & Research Institute of Texas (CPRIT) Grant Program

### **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

Compliance for the Federal Perkins Loan Liquidation Procedures and on Internal Control over Compliance

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

Program - Specific Audit of Cancer Prevention & Research Institute of Texas (CPRIT) Grant Program

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

Program - Specific Audit of Cancer Prevention & Research Institute of Texas (CPRIT) Grant Program

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

Agreed-Upon Procedures for NCAA

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

Agreed-Upon Procedures for NCAA

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

Agreed-Upon Procedures Audit 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 Collegiate Housing Foundation – Collegiate Housing Commerce, L.L.C.

Financial Audit of KETR-FM Radio Station

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

Program - Specific Audit of Cancer Prevention & Research Institute of Texas (CPRIT) Grant Programs (TAMHSC)

### **Texas Engineering Experiment Station**

Program - Specific Audit of Cancer Prevention & Research Institute of Texas (CPRIT) Grant Program

## **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, *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.