

The Texas A&M University System Internal Audit Department



Monthly Audit Report
June 6, 2019

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Texas A&M University
Student Activities



Overall Conclusion

Controls established over student activities at Texas A&M University are operating as intended and in compliance with laws and policies with the exception of student travel documentation.

Additional opportunities for improvement were noted in the following areas:

- School of Law – student organization financial processes
- Department of Student Activities Student Organization Finance Center (SOFC) - cash handling training

Audit Areas

- Account reconciliations
- Student travel
- Background checks and child protection training
- Student organization recognition process
- Data security
- Deposits
- Disbursements

The Department of Student Activities works to provide students, faculty, and staff with the information and resources necessary to support the efforts and success of recognized student organizations at Texas A&M University. The Department of Student Activities manages the recognition process and recognition status for over 1,100 university student organizations.

The SOFC in the Department of Student Activities provides financial services for all recognized student organizations at the College Station campus. The SOFC processed approximately 34,000 financial transactions (revenues and expenses) totaling \$25 million in fiscal year 2018.

Student organizations at the School of Law are subject to the recognition requirements and processes for all university recognized student organizations managed by the Department of Student Activities. The financial processes for student organizations at the School of Law are the responsibility of their Student Affairs Department in Fort Worth. There were 25 active student organizations at the School of Law with transactions totaling approximately \$44,000 in fiscal year 2018.

Management concurred with the audit recommendations and indicated that implementation will occur by the end of February 2020.

Summary of Audit Results

Significant Observations

- Student travel documentation needs improvement to ensure compliance with university rules and procedures.

Notable Observations

- Weaknesses were noted in the financial processes for deposits of student organization funds and documentation of student organization purchases at the School of Law.
- Nine of 16 (56%) Department of Student Activities SOFC employees involved in cashier processes did not complete cash handling training.

Detailed Results

1. Student Travel

Student travel documentation needs improvement to ensure compliance with university rules and procedures. The following exceptions were noted for the 26 domestic student trips reviewed:

- Twenty (77%) did not retain liability waiver forms for all travelers. University Standard Administrative Procedure 13.04.99.M1.01, *Student Travel Procedures*, states that records including, but not limited to, travel notifications, waiver and release forms, and training completions must be retained by the responsible entity in accordance with records retention requirements. The records retention schedule requires liability waivers to be maintained for three years.
- Seven (27%) did not submit the travel form 48 hours prior to the trip; two of which were not submitted until after the trip. University Rule 13.04.99.M1, *Student Travel*, states that domestic student travel must be entered into the Student Activities database travel form prior to departure. The *Student Organization Manual* requires notification 48 hours prior to departure for any travel more than 25 miles from campus.
- Three (12%) did not submit emergency contact information for all travelers. University Standard Administrative Procedure 13.04.99.M1.01,

Student Travel Procedures, states that written notification should include names and emergency contact information for travelers.

- Twenty-three (88%) did not retain driver information. While the university travel rule and standard administrative procedure do not require that driver documentation be retained, there is not a method for organizations to certify that the university's driver requirements were reviewed. University Standard Administrative Procedure 13.04.99.M1.01, *Student Travel Procedures*, states that drivers must possess personal automobile insurance coverage, a valid operator's license, and vehicles must have a current state inspection and registration.

The student organization database travel form does not require that all documentation be submitted and it does not ask that the entity certify that they have completed and will maintain information such as liability waivers and driver information. In addition, the Department of Student Activities does not monitor the travel information submitted to the database or monitor the student organizations for compliance with travel requirements.

University Rule 13.04.99.M1, *Student Travel*, states that it is the responsibility of the entity (e.g. university department, student organization, academic program, etc.) that organizes or sponsors the student travel to have a monitoring process to ensure student travel procedures in the rule are followed.

Without adequate monitoring and controls over student travel the university is at greater risk of liability and reputational harm in the event of injury to employees and students.

Recommendation

Provide additional training to student organizations on travel documentation requirements. Establish a more effective monitoring function over organization travel records.

Management's Response

Student Activities is committed to the following action items regarding training for student organization travel:

- An email outlining the expectations of the student travel policy will be sent to all recognized student organization chief student leaders and advisors in May 2019 and at the beginning of each semester. At a minimum, this email will include reminders about the travel registration submission

timeline, use and retention of liability waivers, submission of emergency contact information, and certification of driver information.

- Information regarding the use and retention of waivers, as well as information about the required components of the travel registration form (including emergency contact information, dates of travel, and travel routes) have been included in the most updated version of the Officer Essentials online training module, available to students in June 2019. Additional information regarding the certification of driver information and timely submission of forms will be included in an additional update, available September 2019.

Student Activities is committed to the following action items regarding the monitoring of student organization travel records:

- All submitters of the travel information form will be asked to verify that they have confirmed appropriate insurance coverage, valid driver's license, and current inspection/registration for travelers operating a personal or private vehicle. Additionally, they will be asked to verify that a liability waiver form has been submitted, and will be retained, for all travelers. This action item will require that an additional field(s) be added to the travel information form, with a tentative rollout by August 2019.
- The department will conduct student organization travel submission spot audits (1-2% of submissions from that semester) at the end of each semester beginning in December 2019. These spot audits will determine the effectiveness of the student travel training that is being provided, and it will verify that students are: submitting emergency contact information for all travelers; verifying driver information; submitting the form at least 48 hours prior to travel, and are completing and retaining liability waivers. Student organizations who are not meeting these expectations will be provided with additional resources and/or referred to our student organization accountability process.

Target Date: February 28, 2020

2. School of Law – Student Organization Financial Processes

Weaknesses were noted in the financial processes for deposits of student organization funds and documentation of student organization purchases at the School of Law.

2a. School of Law – Student Organization Cash Handling

Cash handling processes for student organization funds at the School of Law need to be strengthened. Internal control weaknesses in receipting, fund transfers, supporting documentation, and account reconciliations were noted. Although employees attend financial training provided by university Financial Management Operations (FMO), documented procedures for the specific financial processes related to student organizations at the School of Law have not been developed.

- Ten of 18 (55%) deposits reviewed did not have written receipts or check logs to document the receipt of the funds. The School of Law depended upon university rules and A&M System regulations for cash handling guidance. While these provide general requirements, they do not address some of the specific processes, such as how to document the receipt of donation checks in the mail, which occur with the School of Law student organizations.
- The transfer of funds between individuals is not documented. Although a transfer log was developed for funds received in the business office from other departments, use of the log was discontinued in March 2018.
- Account reconciliations are not prepared for student organization accounts. Personnel originally performing the reconciliations has changed and no reconciliations are currently being performed. Processes for student organizations to reconcile their accounts have not been established.

A&M System Regulation 21.01.02, *Receipt, Custody, and Deposit of Revenues*, requires official receipts for all remittances received, documentation of the transfer of funds between individuals, and reconciliations as part of an appropriate segregation of duties.

Procedures provide guidance to staff and help ensure management directives are carried out. A lack of documented procedures may result in key control activities not being performed consistently.

Recommendation

Develop written procedures for cash handling for student organizations at the School of Law and train employees on the correct procedures.

Management's Response

The School of Law will develop and implement written procedures for the cash handling process relating to student organizations. These procedures will address the receipting of donations and other funds, transfer of funds, and account reconciliations. The Student Affairs staff involved in handling student organization transactions will be trained on the new procedures as well as complete the online training course Cash Handling – System Version (#2111772).

A transfer of funds log has been created and is in use.

Reconciliation of student organization accounts is usually performed by the student organization treasurer. The School of Law will train the incoming student organization treasurers in August when they return to school. Officers of the student organizations usually change each year and the treasurer training will be scheduled each August before the semester starts to prepare the new officers.

Target Date: October 31, 2019

2b. School of Law – Student Organization Purchase Documentation

Documentation to support student organization purchases at the School of Law was not consistently maintained. Adequate documentation to support purchases was not maintained for four of 40 (10%) disbursement transactions. The following exceptions were noted:

- One purchase had no documentation available
- Two purchases had documentation that did not accurately describe the goods and services received
- One reimbursement did not have proof of purchase documentation

The university has established documentation guidelines in the Financial Management Operations (FMO) *Guidelines for Disbursement of Funds*. These guidelines require supporting documentation to accurately describe the goods or services being purchased. Reimbursement requests are to be supported by a receipt or an additional document showing proof of payment.

Without appropriate documentation, there is no support to verify that the disbursement was made for a valid university expense and the risk of misappropriations is increased.

Recommendation

Train employees on FMO *Guidelines for Disbursement of Funds* relative to documentation requirements. Ensure documentation is retained to provide support for purchases.

Management's Response

The Student Affairs staff involved in handling student organization transactions at the School of Law will complete the online training course Disbursement of Funds (#211201). The School of Law will also develop written procedures to detail the documentation required and the retention of that documentation to provide support for student organization purchases.

Target Date: June 30, 2019

3. Department of Student Activities SOFC - Cash Handling Training

Nine of 16 (56%) Department of Student Activities SOFC employees involved in cashier processes did not complete cash handling training. SOFC did not require all employees to take the training even though their job duties include taking part in the cash handling process.

A&M System Regulation 21.01.02, *Receipt, Custody and Deposit of Revenues*, requires cash handling procedures that address cashier training. The cash handling procedures described in the university's online training course have been developed to reduce the risk of loss due to undetected errors or misappropriations.

Recommendation

Assign cash handling training to applicable SOFC employees and monitor to ensure training is completed.

Management's Response

All existing SOFC employees have completed the cash handling training as of February 27, 2019. In the future, all employees, regardless of position description, will be required to complete the training at the time of hiring and every 2 years after that.

Cash handling training is assigned upon hire by the Student Activities HR Liaison and tracked through the TrainTraQ system. The Student Activities HR Liaison receives both weekly updates (manually generated) and monthly updates (auto-

generated) when any required employee training is past due. Subsequent reminders and follow up are provided to employee and supervisor until training is completed.

Basis of Audit

Objective and Scope

The objective of this audit was to determine whether internal controls and processes over student activities are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Account reconciliations
- Student travel
- Background checks and child protection training
- Student organization recognition process
- Data security
- Deposits
- Disbursements

The audit period was primarily September 2017 to August 2018. Fieldwork was conducted from January to March 2019. Audit testing included student organizations at the College Station and School of Law Fort Worth campuses. Student organizations at the Texas A&M University campus in Galveston and the Texas A&M Health Science Center were not included in the scope of the audit.

Methodology

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

- To determine the accuracy and timeliness of the SOFC bank account reconciliation, auditors judgmentally selected one monthly reconciliation for the SOFC bank account for review.
- To determine the completeness and security of the SOFC working fund, auditors performed a surprise cash count and observed relevant documents and processes.

- Auditors used observation and interviews to determine if data maintained in the Department of Student Activities databases was adequately secured.
- To determine compliance with university rules and administrative procedures related to minors attending camps sponsored by the Department of Student Activities' organizations, auditors judgmentally selected a nonstatistical sample of six camps designed to be representative of the population.
- To determine compliance with university rules and administrative procedures over student travel, auditors judgmentally selected a nonstatistical sample of 26 student trips designed to be representative of the population.
- To determine compliance with student organization recognition requirements, auditors judgmentally selected a nonstatistical sample of 60 student organizations designed to be representative of the population.
- To determine whether deposits in the SOFC were made timely, accurately, and in compliance with procedures, auditors judgmentally selected a nonstatistical sample of 60 deposits designed to be representative of the population.
- To determine whether deposits related to departmental student organization accounts were made timely, accurately, and in compliance with procedures, auditors reviewed an example deposit and the associated deposit procedures and controls.
- To determine whether deposits at the School of Law were made timely, accurately, and in compliance with procedures, auditors judgmentally selected a nonstatistical sample of 18 deposits designed to be representative of the population.
- To determine whether disbursements processed by SOFC were appropriate and reasonable, auditors used professional judgment to select a nonstatistical sample of 60 voucher transactions and a nonstatistical sample of 30 payment card transactions designed to be representative of the population.
- To determine whether disbursements processed for departmental student organization accounts were appropriate and reasonable, auditors used professional judgment to select a nonstatistical sample of 30 voucher

transactions and a nonstatistical sample of 30 payment card transactions designed to be representative of the population.

- To determine whether disbursements processed by the School of Law were appropriate and reasonable, auditors used professional judgment to select a nonstatistical sample of 20 voucher transactions and a nonstatistical sample of 20 payment card transactions 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 Standard Administrative Procedures
- 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.

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