

The Texas A&M University System Internal Audit Department



Monthly Audit Report
October 16, 2019

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THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY-COMMERCE

ATHLETICS

October 16, 2019

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20192103



Overall Conclusion

Internal controls over Athletics Department operations at Texas A&M University-Commerce are operating as intended and in compliance with applicable laws and policies.

Basis of Audit

Objective and Scope

The objective of this audit was to assess selected financial and management controls and processes to determine if athletics operations at the university are operating as intended and in compliance with laws and policies.

The audit period was primarily July 2018 to June 2019. Fieldwork was conducted from July 2019 to September 2019.

Methodology

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

- To test the accuracy and completeness of ticket sales revenue, auditors selected a nonstatistical sample of sporting events with ticket sales through auditor judgement.
- To test the accuracy and completeness of sports camp revenue and compliance with youth safety requirements, auditors selected a nonstatistical sample of sports camps and participants through auditor judgement.
- To determine whether payment and travel card transactions were appropriate and in compliance with procedures, auditors performed an analytical review of payment and travel card transactions from July 2018 to June 2019.
- To determine whether online credit card processing was in compliance with payment card industry (PCI) data security standards, auditors tested

Audit Areas

- Ticket sales
- Sports Camps
- Procurement and travel cards
- Deferred maintenance planning
- PCI compliance
- Training
- Contract administration
- Athletic gender equity
- Information technology systems security
- Goals, objectives, and performance measures

PCI Self-Assessment Questionnaires for all university systems processing credit card data for Athletics Department operations.

- To determine whether required training was being completed timely, auditors tested all Athletics Department employees required to complete these trainings.
- To determine whether selected contracts were properly approved and monitoring processes were in place, auditors selected a nonstatistical sample of contracts that had the greatest magnitude or risk to the department based on the stated or implied contract amount and assessed risk by department management.
- To determine whether selected contract terms in the contracts selected above were in compliance with contract requirements, auditors selected a nonstatistical sample of contract terms through auditor judgment.
- To determine whether adequate logical security controls were in place, auditors tested all information technology systems containing confidential information that were in use by the Athletics Department.
- To determine whether performance information was being tracked and assessed, auditors tested all performance metrics established for the Athletics Department.
- To determine compliance with gender equity requirements, auditors tested fiscal year 2019 documentation related to athletic participation and financial aid expenditures and enrollment by gender.

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-Commerce Rules and Standard Administrative Procedures
- Texas A&M University-Commerce Athletics Department Procedures
- National Association of College and University Officer's College and University Business Administration
- Committee of Sponsoring Organizations (COSO) Internal Control: Integrated Framework
- National Collegiate Athletic Association's Guide to Gender Equity in Intercollegiate Athletics
- Payment Card Industry Data Security Standards
- Stated contract stipulations
- 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

Amanda Dotson, CPA, CIA, Director
Brian Billington, CPA, CIA, CISA, Senior Manager
Juliet Ashaolu
Holly Giesenschlag, CPA
Mark Heslip, CIA

Distribution List

Dr. Mark Rudin, President
Dr. John Humphreys, Provost and Vice President for Academic Affairs
Ms. Alicia Currin, Vice President for Business and Administration and Chief Financial Officer
Mr. Timothy McMurray, Director of Athletics
Ms. Paula Hanson, Associate Vice President for Business Administration and Controller
Mr. Conner Moreno, Associate Athletics Director for Internal Operations
Ms. Karen Allen, Associate Athletics Director for Financial Operations
Ms. Katelyn Severance, Chief Ethics and Compliance Officer



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

THE TEXAS A&M UNIVERSITY SYSTEM

BUSINESS OPERATIONS - CROPS

October 16, 2019

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

Project #20190105



Overall Conclusion

Internal controls over business processes for crops at A&M System members are working as intended and in compliance with laws and policies. Based on surveys received from A&M System members as well as financial information and websites reviewed, we identified 30 areas within the A&M System with crop production or sales.

The majority of the 30 areas identified involve crops used for research and teaching. These areas are located at the following ten A&M System members:

- Texas A&M University
- Tarleton State University
- Prairie View A&M University
- Texas A&M AgriLife Research
- Texas A&M AgriLife Extension Service
- Texas A&M Forest Service
- Texas A&M University–Kingsville
- West Texas A&M University
- Texas A&M University–Commerce
- Texas A&M University–Texarkana

Audit Areas

- Revenue controls
- Inventory controls
- Reconciliations
- Research crop disposal
- Cash handling training
- Payment card industry training

Total revenue identified from the sale of crops in fiscal year 2018 was \$2.1 million with the proceeds used primarily to fund further crop production. Texas A&M AgriLife Research, which has the largest amount of crop production and sales, has detailed revenue control procedures in place and is reviewed periodically for compliance by Texas A&M AgriLife's Management Review Team.

Below are the A&M System locations identified with crops sales exceeding \$100,000 in fiscal year 2018.

Location	Primary Crops Produced	FY 2018 Crop Sales	Primary Crop Purpose
Texas A&M University – Kingsville Citrus Center - Weslaco	Citrus orchards	\$470,000	Research in all aspects of citriculture
Texas A&M AgriLife Research Texas Foundation Seed Service - Vernon	Seeds for vegetable crops and ornamental plants	\$298,000	Research to produce new, high yielding, better-adapted crop varieties
Texas A&M AgriLife Research Center - Lubbock	Cotton, corn, grain sorghum (milo)	\$305,000	Research to address key issues for southern high plains agriculture production
Texas A&M Forest Service	Hardwood and pine seedlings, timber	\$265,000	Forest and timber management, tree improvement, and other forestry and nursery programs
Texas A&M University Department of Animal Science Teaching, Research, and Extension (Astrec)	Hay – coastal bermuda	\$170,000	Support livestock used in cattle research
Texas A&M University Soil and Crop Sciences Department	Corn, grain sorghum, cotton, wheat, soybeans	\$150,000	Crop research with some demonstration of crop production for teaching of graduate students
Texas A&M AgriLife Research Center - McGregor	Hay, corn, grain sorghum, wheat, oats	\$114,000	Support livestock used in cattle research

Basis of Audit

Objective and Scope

The objective of this audit was to assess internal controls to determine if business processes for crops at A&M System members are working as intended and in compliance with laws and policies.

The audit focused on the following areas:

- Revenue controls
- Inventory controls
- Reconciliations
- Research crop disposal
- Cash handling training
- Payment card industry training

The audit period was primarily September 1, 2017 to March 31, 2019. Fieldwork was conducted from April 2019 to September 2019.

Methodology

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

- To determine whether cash handling training was completed timely, auditors tested all employees involved in the receipt and deposit of funds from crop sales.
- To determine whether payment card industry training was completed timely, auditors tested all employees with access to credit cards or credit card data from crop sales.

Criteria

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

- Texas A&M University System Policies and Regulations
- A&M System Member 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.

Audit Team

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Distribution List

Mr. John Sharp, Chancellor
Mr. Billy Hamilton, Deputy Chancellor and Chief Financial Officer
Ms. Janet Gordon, System Ethics and Compliance Officer
Chief Executive Officers, Chief Academic Officers, Chief Financial Officers, and Chief Compliance Officers for the following A&M System members:

- Texas A&M University
- Tarleton State University
- Prairie View A&M University
- Texas A&M AgriLife Research
- Texas A&M AgriLife Extension Service
- Texas A&M Forest Service
- Texas A&M University–Kingsville
- West Texas A&M University
- Texas A&M University–Commerce
- Texas A&M University–Texarkana