

The Texas A&M University System Internal Audit Department



Monthly Audit Report
September 9, 2019

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THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY-SAN ANTONIO

FINANCIAL MANAGEMENT SERVICES

September 9, 2019

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Chief Auditor

Project #20192502



Overall Conclusion

Financial controls and processes at Texas A&M University–San Antonio are operating as intended. Opportunities for improvement were identified in the following areas:

- Contract administration
- Account reconciliations
- Student receivables
- Working fund access
- Payment and travel card procedures

Audit Areas

- Account reconciliations
- Contract administration
- Payment cards
- Receivables
- Travel cards
- Vouchers
- Working funds

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

Detailed Results

1. Contract Administration

Contract routing and approvals were not in compliance with A&M System policy and the university’s delegation of authority for contract administration. Two of 30 (7%) vouchers reviewed were payments made on contracts greater than \$300,000 which did not go through appropriate review and approval processes. According to the university’s delegation of authority, both were signed by employees who were not authorized to sign contracts greater than \$300,000. One contract was not reviewed and approved by the Office of General Counsel or the System Chief Information Officer as required by A&M System Policy 25.07, *Contract Administration*, and A&M System Regulation 29.01.01, *Information Resources Governance*.

University personnel were not aware of the appropriate delegation for review, approval, and signature for contracts, contract renewals, and extensions. Without appropriate review and approval signatures, the university may be obligated to agreements that are not in the best interests of the university or the A&M System.

Recommendation

Ensure contracts are properly reviewed, approved, and signed in compliance with A&M System policy and university delegation of authority.

Management's Response

During July 2019, the university formally documented contract review and approval authority delegated by the president. In accordance with A&M System policy and university rules, the Vice President for Business Affairs is authorized to approve purchases and sign contracts on all university accounts up to \$300,000. In addition, the Director of Procurement & Auxiliary Services and the Associate Vice President for Financial Services & Controller have been delegated authority at the same level.

The A&M System's guidance for submission of contracts to the Board of Regents, the System Chancellor, or the System Chief Information Officer for approval has been re-emphasized to the university's Procurement Office and those authorized to sign contracts on behalf of the university. Detailed information about delegations of authority for review, approval, and signature of specific types of contracts and agreements has been posted online for reference.

2. Account Reconciliations

Improvements are needed to ensure accounts are reconciled timely, and outstanding items are identified and cleared timely. A review of two months of reconciliations for 10 accounts identified the following exceptions:

- Four of 20 (20%) account reconciliations reviewed were not completed timely. Two of these accounts were reconciled 64 to 95 days after the required due date.
- Six of 20 (30%) account reconciliations had reconciling items that had been outstanding between 120 days and two years.

Employees did not seem aware of the appropriate reconciliation format or processes to identify and clear outstanding items. Reconciliations were not considered a priority and there was a lack of oversight and monitoring. Additionally, there was a lack of communication and coordination between departments to identify and clear outstanding items. Reconciliations are performed manually although an automated system is available for A&M System members.

Department procedures require reconciliations to be completed by the 25th day of each month, and that reconciling items are to be cleared and not carried from month-to-month.

Timely reconciliations are an important control for the detection of errors, discrepancies, and systemic problems. Monitoring and oversight of the reconciliation process is also important to ensure that employees understand account reconciliation processes, and how and when to alert management to issues or problems in resolving outstanding items.

Recommendation

Ensure procedures are in place for timely preparation of account reconciliations and clearing of outstanding items. Consider using an automated reconciliation system.

Management's Response

The importance of account reconciliations, and the timely clearance of reconciling items, has been re-emphasized to the offices involved. Effective September 1, 2019, all account reconciliations will be performed by the Accounting Services Office. Their first priority will be to ensure reconciling items are appropriately cleared, and all reconciliations are brought up-to-date.

Reconciling items that are not cleared within the subsequent month must be specifically highlighted on the reconciliation. If a reconciling item carries over into a second month, a documentation of the circumstances and an action plan for clearing the item must accompany the reconciliation.

The controller will monitor compliance with these requirements. Any reconciliation anomalies (reconciling items older than 90 days, questionable transactions, etc.) will be communicated to the Vice President for Business Affairs as necessary.

Once the Accounting Services Office becomes familiar with the reconciliations coming in from the other offices, the university will re-evaluate the use of an automated system for performing account reconciliations. All process changes and evaluations noted above will be completed by June 30, 2020.

3. Student Receivables

Improvements are needed to ensure timely collection procedures are applied to delinquent student accounts receivable in compliance with established requirements. Of the 30 delinquent student accounts reviewed, 24 (80%) did not have state holds placed timely and five (17%) did not have state holds placed at all.

Twenty-five of the 30 delinquent accounts reviewed were required to be sent to a collection agency. Seventeen (68%) accounts were not sent to collection agencies timely and five (20%) were not sent to a collection agency at all.

A&M System Regulation 21.01.04, *Extension of Credit*, states that members should utilize the State Comptroller's warrant hold process when the debt is determined to be delinquent. University collection procedures require accounts to be sent to collections within 90 days of the end of the semester.

There has been turnover in the position responsible for collection procedures. Accounts with signed payment agreements were not monitored to ensure that collection procedures commenced if payments were not made. Without performing timely collection activities the risk of loss of funds from uncollectible accounts is increased.

Recommendation

Ensure accounts determined to be delinquent are placed on hold and sent to collections. When applicable, ensure delinquent accounts are written off in compliance with university collection procedures and system regulations. Establish procedures to monitor payment agreements.

Management's Response

The Student Business Services Office has revised its collection procedures to ensure delinquent accounts are handled appropriately. During July 2019, the following changes were made to the procedures:

- a. A weekly electronic billing statement is sent to all students with past due accounts, with statements discontinued when the account is placed with a collection agency.
- b. There are now multiple "cohorts" of students with past due accounts each semester rather than only one. This allows for more timely internal

collection efforts with regard to students whose accounts become past due later in each semester.

- c. A state warrant hold will be placed at the time the second internal collection letter is sent to the student.
- d. At least twice each month, office staff will review internal payment agreements to assess payment status, and take collection actions if necessary.

Student Business Services is currently working with the university's ITS department and FAMIS Support to complete a project to automate the placement of state warrant holds on past due student accounts.

A list of delinquent accounts selected for write-off was submitted to the Office of General Counsel (OGC) on July 1, 2019. We have provided additional information to them as requested, and are awaiting approval to write-off the submitted accounts.

In the future, we will begin reviewing delinquent accounts for potential write-off during the late fall (no later than December 1 each year) rather than during the summer. The list of proposed write-offs will be submitted to OGC by February. This will provide a time margin to allow for employee turnover, longer-than-anticipated review time, etc. All process changes and evaluations noted above will be completed by August 31, 2020.

4. Working Fund Access

The number of people with access to the Student Business Services working fund is not in compliance with the A&M System regulation. There are five people with access to the vault and safe in the Student Business Services office. A&M System Regulation 21.01.02, *Receipt, Custody, and Deposit of Revenues*, limits access to a primary and secondary custodian, unless a documented exception has been approved by the chief financial officer.

Additional individuals have been given access to the vault and safe to ensure continued operations during extended office hours. Student Business Services has not been granted an exception. Limiting the number of individuals with access to funds reduces the risk of potential loss of funds.

Recommendation

Limit the number of individuals with access to the working fund, or obtain a documented exception with alternate procedures approved by the chief financial officer. Maintain a copy of the approval in the department at all times.

Management's Response

The university has reviewed its procedures relating to access to the vault and safe in the Student Business Services Office. Due to the office's business hours, it is not practicable to limit access to only two individuals as required by A&M System Regulation 21.01.02, *Receipt, Custody, and Deposit of Revenues*. However, the number of people with access can be reduced from five to four. This change was put into effect during July 2019.

This exception to the regulation was authorized by the Vice President for Business Affairs on July 5, 2019. The authorization will be reviewed and updated each September 1, or as access requirements change. A copy of the authorization is maintained in the Student Business Services Office.

5. Payment and Travel Card Procedures

Guidelines for use of payment cards and travel cards have not been updated to reflect current processes. Payment card and travel card processes have changed as a result of the implementation of Concur, the university's expense management system. The guidelines available to university employees for both types of credit cards have not been updated and there are currently conflicting procedures in place for travel cards. Standard Operating Procedure 21.99.99.00.01, *Travel Procedure*, has been updated but the travel card guidelines have not.

Procedures provide guidance to staff and help ensure management directives are carried out. Without current and consistent procedures, errors and resulting processing inefficiencies are more likely to occur.

Recommendation

Update payment card and travel card procedures and guidelines to reflect current processes in place.

Management's Response

The university's Payment Card guidelines were updated during June 2019 to include changes necessitated by the implementation of Concur. The Travel Card guidelines were updated at the same time, and conformed to the university's Procedure 21.99.99.00.01, *Travel Procedure*.

Basis of Audit

Objective and Scope

The objective of this audit was to determine if selected financial controls and processes at Texas A&M University-San Antonio are operating as intended and in compliance with applicable laws, policies, regulations, and university rules.

The audit focused on the following:

- Account reconciliations
- Contract administration
- Payment cards
- Receivables
- Travel cards
- Vouchers
- Working funds

The audit period was primarily January 2018 to December 2018. Fieldwork was conducted from March 2019 to May 2019.

Methodology

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

- To determine if contracts were properly approved and if selected contract terms were in compliance with contract requirements, auditors used professional judgment to select a nonstatistical sample of ten contracts based upon magnitude and risk.
- To determine the timeliness and accuracy of account reconciliations, auditors used professional judgment to select a nonstatistical sample of 20 account reconciliations selected from ten accounts designed to be representative of the population.
- To determine if student accounts receivable collection processes were in compliance with A&M System regulations and university procedures, auditors used professional judgment to select a nonstatistical sample of 30 delinquent student accounts designed to be representative of the population.

- To determine whether payment card transactions were reasonable and in compliance with procedures, auditors used professional judgment to select a nonstatistical sample of 30 payment card transactions designed to be representative of the population.
- To determine whether travel card transactions were reasonable and in compliance with procedures, auditors used professional judgment to select a nonstatistical sample of 30 travel card transactions designed to be representative of the population.
- To determine whether voucher transactions were appropriate and reasonable, auditors used professional judgment to select a nonstatistical sample of 30 voucher transactions designed to be representative of the population.
- To determine whether appropriate purchasing methods were used and documented, auditors used professional judgment to select a nonstatistical sample of ten vendors based upon magnitude and risk.

To determine whether working fund processes were in compliance with A&M System regulations and university procedures, auditors reviewed selected controls for the population of three working funds in place at the university.

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–San Antonio standard administrative procedures, rules, and guidelines
- Stated contract stipulations
- Texas Government Code Chapter 2261
- 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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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M INTERNATIONAL UNIVERSITY

UNIVERSITY POLICE DEPARTMENT

September 9, 2019

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

Project #20191602



Overall Conclusion

Controls and processes within the University Police Department at Texas A&M International University 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 internal controls to determine if processes within the University Police Department are operating as intended and in compliance with applicable laws and policies.

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

Methodology

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

- To determine whether all required trainings were completed by University Police Department officers based on their certification level, auditors judgmentally selected a nonstatistical sample of four officers and one telecommunicator.
- To determine the accuracy of performance measurement data used to assess achievement of departmental goals and objectives, auditors selected all performance measures.
- To verify that evidence room inventory was properly accounted for and secured, auditors judgmentally selected a nonstatistical sample of 25 evidence items.
- To determine whether fixed assets were properly accounted for, contained asset tags, and were readily located, auditors judgmentally selected a nonstatistical sample of 20 assets.

Audit Areas

- Accreditation
- Clery Act compliance
- Evidence inventory
- Fixed assets
- Goals, objectives, and performance measures
- Payment Card Industry compliance
- Procurement cards
- Training and certifications
- Weapons inventory

- To verify that weapons inventory was properly accounted for and secured, auditors judgmentally selected a nonstatistical sample of 24 weapons.
- To determine whether crime reports were properly included and categorized for Clery Act reporting purposes, auditors judgmentally selected a nonstatistical sample of twelve crime reports and two disciplinary action referrals.
- To determine accuracy with the Department of Education submission, auditors compared the entire population of crime statistics on the campus annual security report.
- To determine whether mandated policy statements were properly included in the university's 2018 Campus Security and Fire Safety Report, auditors tested the entire population of policy statements required for Clery Act compliance.
- To determine whether Clery Act training was completed, auditors tested all individuals designated as campus security authorities.
- To determine whether procurement card transactions were appropriate and in compliance with rules and regulations, auditors judgmentally selected a nonstatistical sample of 40 procurement card transactions.
- To determine whether improvements could be made for incomplete Texas Police Chiefs Association standards, auditors judgmentally selected a nonstatistical sample of five standards pending completion. To determine whether completed standards are in compliance with accreditation requirements, auditors judgmentally selected a nonstatistical sample of three completed standards.

Criteria

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

- Texas A&M University System Policies and Regulations
- Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act)
- United States Department of Education Handbook for Campus Safety & Security Reporting (2016 Edition)
- Texas A&M International University Rules and Standard Administrative Procedures
- Department Policies and 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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