

The Texas A&M University System Internal Audit Department

**INTERNAL AUDIT ANNUAL REPORT
FOR FISCAL YEAR 2019**

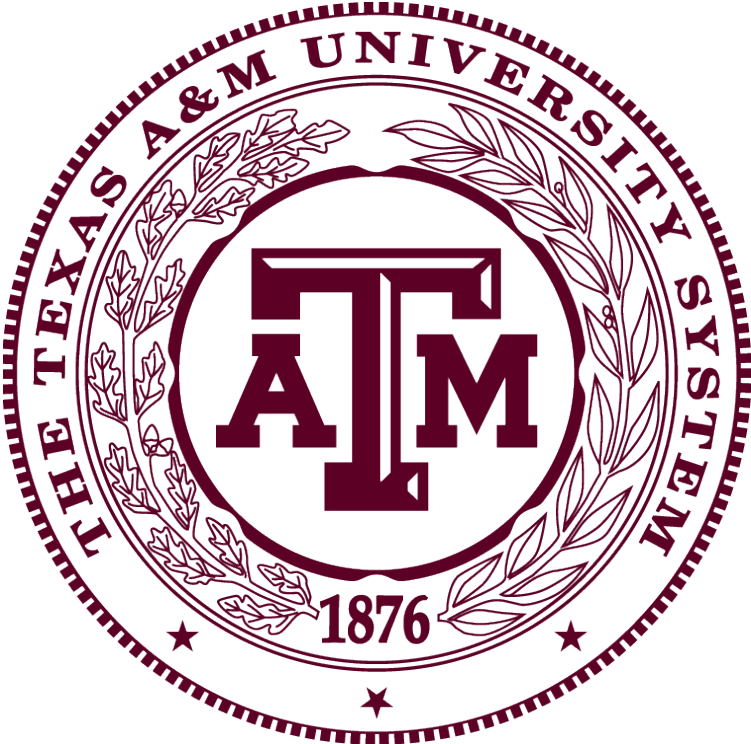


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**I. Compliance with Texas Government Code, Section 2102.015:
Posting the Internal Audit Plan, Internal Audit Annual Report, and
Other Audit Information on Internet Web Site.**

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 2019

Audit Title By System Member	Report #	Report Date
<i>Systemwide Audits</i>		
Business Operations - Crops	20190105	10/16/2019
Export Controls Outside of Brazos County	20190101	6/6/2019
<i>A&M System Offices</i>		
Facilities Planning and Construction	20190107	In Progress
<i>Texas A&M University</i>		
College of Architecture - Information Technology	20190201	2/13/2019
Division of Marketing and Communication - Information Technology	20190205	6/6/2019
Division of Student Affairs - Information Technology	20190203	4/4/2019
University Libraries - Information Technology	20190206	6/6/2019
Corps of Cadets	20190207	7/10/2019
Department of Student Activities	20190204	6/6/2019
Human Subject Research	20190202	In Progress
Student Receivables	20190211	In Progress
University Police Department	20190209	8/14/2019
Vet Med Teaching Hospital Financial Management Services	20190210	8/14/2019
Texas A&M University at Galveston - University Police Department	20190214	10/16/2019
<i>Prairie View A&M University</i>		
Athletics	20190503	In Progress
Financial Management Services	20190506	In Progress
University Police Department	20190501	9/9/2019
<i>Tarleton State University</i>		
Financial Management Services	20190402	4/4/2019
Research Administration	20190401	3/7/2019
University Police Department	20190403	7/10/2019
<i>Texas A&M International University</i>		
Athletics	20191601	5/2/2019
University Police Department	20191602	9/9/2019
<i>Texas A&M University-Central Texas</i>		
University Police Department	20192401	11/7/2018

Audit Title By System Member	Report #	Report Date
<i>Texas A&M University-Commerce</i>		
Athletics	20192103	10/16/2019
Student Financial Aid	20192102	9/9/2019
University Police Department	20192101	1/9/2019
<i>Texas A&M University-Corpus Christi</i>		
Student Financial Aid	20191501	4/4/2019
<i>Texas A&M University-Kingsville</i>		
Student Financial Aid	20191703	8/14/2019
Information Technology	20191704	In Progress
University Police Department	20191705	10/16/2019
<i>Texas A&M University-San Antonio</i>		
Financial Management Services	20192502	9/9/2019
University Police Department	20192501	4/4/2019
<i>Texas A&M University-Texarkana</i>		
University Police Department	20192201	3/7/2019
<i>West Texas A&M University</i>		
University Police Department	20191801	2/13/2019
<i>Texas A&M AgriLife Extension Service</i>		
Health and Safety	20190601	8/14/2019
<i>Texas A&M AgriLife Research</i>		
Health and Safety	20190601	8/14/2019
<i>Texas A&M Transportation Institute</i>		
Financial Management Services	20191201	4/4/2019

Deviations from Fiscal Year 2019 Audit Plan

There were no deviations from the Fiscal Year 2019 Audit Plan.

Benefits Proportionality

No audits related to benefits proportionality were included in the Fiscal Year 2019 Audit Plan.

Texas Government Code, Section 2102.005(b) – 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 Texas Education Code, Section 51.9337. Compliance with these rules and policies and additional contracting processes and controls 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
Change in Management Review of the President at Texas A&M University-Commerce	9/19/2018	The objective was to review and assess certain organizational, fiscal, and operational information to provide the incoming president with a current assessment of operations.	Suggestions for improvement were provided to the incoming president.
Review of Farm Operations at Texas A&M University-Commerce	10/10/2018	The objective was to review internal controls over the university's farm operations.	Suggestions for improvement were provided.
Review of Farm Operations at Texas A&M University-Kingsville	10/10/2018	The objective was to review internal controls over the university's farm operations.	Suggestions for improvement were provided.
Review of Farm Operations at Prairie View A&M University	10/25/2018	The objective was to review internal controls over the university's farm operations.	Suggestions for improvement were provided.
Review of Farm Operations at West Texas A&M University	11/29/2018	The objective was to review internal controls over the university's farm operations.	Suggestions for improvement were provided.
Review of Student Financial Aid at Prairie View A&M University	12/12/2018	The objective was to determine if customer service was being provided to students as intended by the student financial aid function at Prairie View A&M University.	Suggestions for improvement were provided.
Review of the Office of Development at Prairie View A&M University	12/18/2018	The objective was to determine if selected controls and processes in the Prairie View A&M University Office of Development were operating as intended.	Suggestions for improvement were provided.
Review of Farm Operations at Tarleton State University	1/31/2019	The objective was to review internal controls over the university's farm operations.	Suggestions for improvement were provided.

*The Texas A&M University System
Internal Audit Annual Report for Fiscal Year 2019*

Review Title	Report Date	Objective(s)	Observations/Results and/or Suggestions
Change in Management Review of the Director at Texas A&M Engineering Extension Service	2/1/2019	The objective was to review and assess certain organizational, fiscal, and operational information to provide the incoming director with a current assessment of operations.	Suggestions for improvement were provided to the incoming director.
Change in Management Review of the President at Texas A&M University-Kingsville	2/4/2019	The objective was to review and assess certain organizational, fiscal, and operational information to provide the incoming president with a current assessment of operations.	Suggestions for improvement were provided to the incoming president.
Review of Residence Life Housing Information System at Texas A&M University	5/14/2019	The objective was to determine if the residence life housing information system provides adequate separation of duties.	Suggestions for improvement were provided.
Review of College of Medicine Willard Body Program at Texas A&M University	5/29/2019	The objective was to review internal controls and monitoring activities related to the program.	Suggestions for improvement were provided.
Change in Management Review of the Athletics Director at Texas A&M University	7/3/2019	The objective was to review and assess certain organizational, fiscal, and operational information to provide the incoming athletics director with a current assessment of operations.	Suggestions for improvement were provided to the incoming athletics director.
Review of Student Access at Texas A&M University-Kingsville	7/5/2019	The objective was to determine if internal controls for grant management were operating as intended and in compliance with applicable laws, policies, and sponsor requirements.	Suggestions for improvement were provided.
Review of Admissions Processes and Practices in the Texas A&M University System	7/22/2019	The objective was to identify any needed improvements to protect against unethical practices in admissions processes.	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,

A handwritten signature in blue ink, appearing to read "D. Horr".

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 2020

This section includes the approved internal audit plan for fiscal year 2020. The total budgeted hours for the audit plan is 36,700.



**THE TEXAS A&M
UNIVERSITY SYSTEM**

System Internal Audit Department

Fiscal Year 2020 Audit Plan



System Internal Audit Department Fiscal Year 2020 Audit Plan

SYSTEMWIDE AUDITS

Compliance with Benefits Proportional by Fund Requirements – FY 2018
Compliance with Benefits Proportional by Fund Requirements – FY 2019
Member-Administered Major Construction Projects

A&M SYSTEM OFFICES

Available University Fund (AUF) Reporting
Texas Higher Education Coordinating Board - Construction Audit Reporting

TEXAS A&M UNIVERSITY

Bush School – Information Technology
Division of Information Technology
Division of Finance – Information Technology
Health Science Center – Information Technology
Health Science Center – Clinical Healthcare Operations
Animal Care and Use
Contract Administration
Service Rates
Purchasing – Payment Cards
Minors on Campus
Clery Act Reporting

PRAIRIE VIEW A&M UNIVERSITY

Health and Safety
Clery Act Reporting
Student Information System

TARLETON STATE UNIVERSITY

Clery Act Reporting
Tuition and Fees

TEXAS A&M INTERNATIONAL UNIVERSITY

Student Information System

TEXAS A&M UNIVERSITY–CENTRAL TEXAS

Student Information System



**System Internal Audit Department
Fiscal Year 2020 Audit Plan**

TEXAS A&M UNIVERSITY–COMMERCE

Student Information System

TEXAS A&M UNIVERSITY–CORPUS CHRISTI

Financial Management Services
Student Information System

TEXAS A&M UNIVERSITY–SAN ANTONIO

Health and Safety
Student Information System

TEXAS A&M UNIVERSITY–TEXARKANA

Financial Aid
Health and Safety

WEST TEXAS A&M UNIVERSITY

Financial Aid
Minors on Campus

TEXAS A&M AGRILIFE EXTENSION SERVICE

Information Technology

TEXAS A&M AGRILIFE RESEARCH

Information Technology

TEXAS A&M ENGINEERING EXTENSION SERVICE

Health and Safety
Sponsored Programs

TEXAS A&M ENGINEERING EXPERIMENT STATION

Information Technology

TEXAS A&M FOREST SERVICE

Health and Safety



**System Internal Audit Department
Fiscal Year 2020 Audit Plan**

TEXAS A&M TRANSPORTATION INSTITUTE

Export Controls

TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY

Health and Safety



System Internal Audit Department Fiscal Year 2020 Audit Plan

The purpose of the audit plan is to outline audits and other activities the System Internal Audit Department will conduct during fiscal year 2020. The plan is developed to satisfy responsibilities established by the Board of Regents Bylaws, System Policy 10.01 *Internal Auditing*, Texas Government Code Section 2102.008, and applicable auditing standards. The Chief Auditor is authorized to make changes to the plan 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. 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 or programs 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 2020 Audit Plan

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 2020 audit plan were risks associated with benefits proportionality as described in Rider 8, page III-41, the General Appropriations Act (85th 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 2020

Listing of audits included in the Fiscal Year 2020 Audit Plan which address the following:

Benefits Proportionality

Compliance with Benefits Proportional by Fund Requirements – FY 2018
Compliance with Benefits Proportional by Fund Requirements – FY 2019

Contract Management

Systemwide Audits

Member-Administered Major Construction Projects

Texas A&M University

Contract Administration
Bush School Information Technology
Division of Information Technology
Health Science Center Information Technology
Health Science Center – Clinical Healthcare Operations

Texas A&M University–Central Texas

Student Information System

Texas A&M University–Corpus Christi

Financial Management Services

Texas A&M University–San Antonio

Student Information System

Texas A&M University–Texarkana

Financial Aid

West Texas A&M University

Financial Aid

Texas A&M AgriLife Extension Service

Information Technology

Texas A&M AgriLife Research

Information Technology

Texas A&M Engineering Extension Service

Sponsored Programs

Texas A&M Engineering Experiment Station

Information Technology

VI. External Audit Services Procured in Fiscal Year 2019

System Offices

Easterwood Airport Passenger Facility Charges
Financial Statement Audit of Easterwood Airport Management, LLC

Texas A&M University

Agreed-Upon Procedures for NCAA
Financial Audit of KAMU-TV Station
Financial Audit of KAMU-FM Radio Station
Financial Audit of Texas A&M University Office in Mexico
Program-Specific Audit of Cancer Prevention & Research Institute of Texas (CPRIT) Grant Program

Prairie View A&M University

Agreed-Upon Procedures for NCAA
Financial Audit of KPVU Radio Station

Texas A&M AgriLife Research

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

Texas A&M AgriLife Extension Service

Financial Audit of the Stiles Farm Foundation

Texas A&M University-Corpus Christi

Agreed-Upon Procedures for NCAA

Texas A&M University-Kingsville

Financial Audit of the Texas A&M University-Kingsville Foundation

West Texas A&M University

Financial Audit of West Texas A&M University Foundation

Texas A&M University-Commerce

Agreed-Upon Procedures for NCAA
Financial Audit of Texas A&M University-Commerce Alumni Association
Financial Audit of Texas A&M University-Commerce Foundation
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 Program

Texas A&M University-San Antonio

Financial Audit of the Texas A&M San Antonio Foundation
Independent Accountant's Review of Texas A&M University-San Antonio

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, *Control of 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.

VIII. Contracting Audits – Fiscal Years 2015 – 2019

The State Auditor's Office (SAO) has identified The Texas A&M University System Administrative and General Offices as one of the 25 largest state entities for the purposes of Senate Bill (SB) 65 (86th Legislature). To assist the SAO in performing its required function related to SB 65, we have included each audit report related to contracts and contract processes and controls completed in the last five years. The list includes work performed at The Texas A&M University System Offices and each of its member institutions.

Report Title By System Member	Report #	Report Date	Follow Up
<i>A&M System Offices</i>			
Trademark Licensing Programs	20140115	October 2014	Not Required
Contract Administration	20150105	April 2015	Not Required
Treasury Services	20150108	August 2015	Not Required
Capital Planning Processes and Major Construction Projects	20160109	July 2016	April 2017
Technology Commercialization	20150114	January 2016	March 2019
Debt Service	20170106	August 2017	Not Required
Easterwood Airport Operations	20170108	December 2017	October 2018
<i>Texas A&M University</i>			
Department of Residence Life	20150201	August 2015	Not Required
Emergency Notification Systems	20150209	March 2016	Not Required
Transportation Services	20160205	April 2016	February 2017
Athletic Department Administration	20160206	October 2016	August 2018
Student Health Services	20160208	November 2016	August 2017
Health Science Center Contract Administration	20162301	February 2017	September 2017
Memorial Student Center	20170203	March 2017	Not Required
College of Medicine–Financial Management Services	20170209	October 2017	July 2018
Health and Safety	20170210	November 2017	In Progress
Recreational Sports	20180201	March 2018	July 2018
Facilities Condition	20180202	March 2018	November 2018
University Center	20180211	August 2018	April 2019
Student Activities	20190204	June 2019	In Progress
<i>Prairie View A&M University</i>			
Contract Administration	20160501	March 2016	January 2018
Learning Management System General and Application Controls	20160503	October 2016	March 2017
Owens Franklin Health Center	20180503	September 2018	In Progress
Information Technology	20180504	November 2018	September 2019
<i>Tarleton State University</i>			
Contract Administration and Sponsored Programs	20140403	January 2015	Not Required
Learning Management System General and Application Controls Review	20150401	April 2015	Not Required
Athletics	20170403	August 2017	May 2018
Financial Management Services	20190402	April 2019	In Progress

Report Title By System Member	Report #	Report Date	Follow Up
<i>Texas A&M International University</i>			
Health and Safety	20181601	May 2018	March 2019
Athletics	20191601	May 2019	In Progress
<i>Texas A&M University–Commerce</i>			
Financial Management Services	20152101	December 2015	January 2017
Athletics	20192103	October 2019	Not Required
<i>Texas A&M University–Corpus Christi</i>			
Contract Administration	20151502	November 2015	December 2016
<i>Texas A&M University–Kingsville</i>			
Learning Management System General and Application Controls Review	20161702	August 2016	November 2017
Contract Administration	20171701	April 2017	May 2018
Health and Safety	20181701	January 2018	June 2019
Athletics Department	20181703	November 2018	In Progress
Review of Student Access	20191702	July 2019	In Progress
<i>Texas A&M University–San Antonio</i>			
Financial Management Services	20152504	January 2016	January 2018
Financial Management Services	20192502	September 2019	In Progress
<i>Texas A&M University–Texarkana</i>			
Athletics	20172202	June 2017	April 2018
Financial Management Services	20182201	November 2018	In Progress
<i>West Texas A&M University</i>			
Auxiliary Services – Bookstore, Housing and Athletics	20161801	December 2016	March 2019
<i>Texas A&M AgriLife Research, Texas A&M AgriLife Extension Service, and Texas A&M Veterinary Diagnostic Laboratory</i>			
Financial Management Services	20180606	October 2018	September 2019
<i>Texas A&M Engineering Extension Service</i>			
Financial Management Services	20140901	January 2015	Not Required
Export Controls	20180901	March 2018	July 2019
<i>Texas A&M Engineering Experiment Station</i>			
Financial Management Services	20170801	June 2017	October 2018
Research Centers and Institutes	20180801	March 2018	July 2019
<i>Texas A&M Forest Service</i>			
Rural Volunteer Fire Department Assistance Grants	20171102	April 2017	May 2018
<i>Texas A&M Transportation Institute</i>			
Financial Management Services	20191201	April 2019	October 2019