

The Texas A&M University System Internal Audit Department



Monthly Audit Report
February 12, 2020

TABLE OF CONTENTS

Texas A&M University
Health Science Center – Clinical Healthcare Operations

Prairie View A&M University
Financial Management Services

Texas A&M University
Construction Project Reporting to the Texas Higher
Education Coordinating Board



System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

**HEALTH SCIENCE CENTER – CLINICAL
HEALTHCARE OPERATIONS**

February 12, 2020

**Charlie Hrncir, CPA
Chief Auditor**

Project #20200201



Overall Conclusion

Internal controls over clinical operations at the Texas A&M Health Science Center are operating as intended with the exception of certain financial controls at College of Dentistry Oral and Maxillofacial Surgery (OMS) professional services.

Significant improvements are needed in the OMS professional services financial operations to adequately segregate billing, reconciling, and cash handling duties, and process and document collections.

Audit Areas

- Accounts receivable
- Allowances and discounts
- Annual report of practice plans and uncompensated care
- Cash handling
- College of Dentistry practice plans
- Deposits
- Professional service agreements
- Account reconciliations
- Employee training

Opportunities for improvement were also noted in the following areas:

- Annual reporting of practice plans and uncompensated care
- College of Dentistry account reconciliations
- College of Medicine state warrant holds
- College of Dentistry practice plan agreements

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

Summary of Audit Results

Significant Observations

- Significant improvements are needed in internal controls over the College of Dentistry OMS professional services financial operations to ensure compliance with A&M System regulations and university procedures. Weaknesses were identified in the areas of segregation of duties, cash handling, and accounts receivable collections.

Notable Observations

- Improvement is needed to ensure accurate reporting of annual practice plan and uncompensated care activity.

- College of Dentistry account reconciliation processes require improvement.
- The process for placing state warrant holds on College of Medicine delinquent accounts under \$500 needs improvement.
- Certain elements of the College of Dentistry’s practice plan agreements need to be reviewed and updated to ensure consistency between rules, regulations, and current practices.

Detailed Results

1. College of Dentistry OMS Professional Services Financial Operations

Significant improvements are needed in internal controls over the College of Dentistry OMS professional services financial operations to ensure compliance with A&M System regulations and university procedures. Weaknesses were identified in the areas of segregation of duties, cash handling, and accounts receivable collections. OMS professional services generates annual revenues, net of discounts, of approximately \$1 million.

1a. Segregation of Duties

Duties within OMS professional services are not adequately segregated to maintain effective internal controls. The OMS professional services clinic manager is responsible for insurance billing and coding; patient invoicing; collection and posting of patient payments; recording insurance adjustments and denials to the electronic medical record system; and preparing monthly financial reports. Although documented procedures require approval for adjustments, these approvals were not always obtained before recording patient adjustments. Annual patient billing, prior to discounts and adjustments, is approximately \$3.5 million annually.

University Financial Management Operations’ *Extension of Credit and Collection Procedures* states that segregation of duties is essential to prevent one individual from having responsibility for more than one of the following components of extending credit: creating invoices, collecting payments and clearing invoices, depositing, and reconciling. In addition to reducing the risk of misappropriations or errors, segregation of duties protects employees from inappropriate charges of mishandling funds by ensuring responsibilities are well defined.

Recommendation

Segregate incompatible duties of authorization, custody, and record-keeping for the OMS professional services office to the extent possible. Consider further centralizing OMS professional services financial processes and procedures with Business Office and Clinical Affairs support staff.

Management’s Response

The College of Dentistry OMS professional services is in the process of developing and implementing processes and procedures that will segregate duties relating to authorization, custody, and record-keeping. Consideration will be given to centralizing OMS professional services financial processes and procedures with Business Office and Clinical Affairs support staff.

Target Date: May 31, 2020

1b. Cash Handling

The OMS professional services patient services associates do not have individual accountability for the cash drawer and the drawer is not secured at all times. Two patient services associates are sharing a cash drawer that is not locked. Both individuals log into the patient system (point of sale module) using separate login credentials; however, they are logged into a shared cashiering session so there is not a cashier report for each individual’s activity.

A&M System Regulation 21.01.02, *Receipt, Custody and Deposit of Revenues* requires each department or unit to provide adequate and proper security over funds, and that cashiers be assigned an individual cash drawer that is not shared in order to maintain individual accountability of funds. Without proper security and individual accountability the risk of loss of funds or errors remaining undetected is increased.

Recommendation

Provide security over funds maintained throughout the day in OMS professional services, and establish procedures to maintain individual accountability for each cashier.

Management’s Response

The new Clinical Education Building and patient flow has allowed the College of Dentistry OMS professional services to correct this observation. All cash payments

are accepted by employees located in the patient check in and waiting area for our clinic. Each employee is assigned an individual secured cash drawer, individual cashiering session, and access to a drop safe for the deposit. Drawers are balanced daily and deposited daily.

Target Date: Completed

1c. Accounts Receivable Collections

Three of 30 (10%) OMS professional services delinquent patient accounts did not follow university and departmental guidelines for patient billing and collections. These three patient accounts were not sent delinquency notices, were not sent to a collection agency, and were not placed on state hold. The university and OMS professional services have established Guidelines for Patient Billing and Collections to increase the likelihood of collecting debts; however, financial personnel indicated that workload has not allowed time to devote to collection efforts and complete write-offs.

Recommendation

Utilize established collection procedures for past due accounts to ensure compliance with state, A&M System, and university requirements.

Management's Response

The College of Dentistry OMS professional services is in the process of developing and implementing processes and procedures to ensure that delinquent patient accounts are handled in accordance with state, A&M System, and university requirements.

Target Date: May 31, 2020

2. Annual Reporting of Practice Plans and Uncompensated Care

Improvement is needed to ensure accurate reporting of annual practice plan and uncompensated care activity. The following inaccuracies were noted in the fiscal year 2018 notes to the financial report.

- Cost to charge ratios were incorrectly calculated for the College of Medicine and College of Dentistry practice plans. These ratios are used to determine the residual unreimbursed uncompensated care amount reported in the notes to the financial report. This amount was overstated by \$1,164,761.

- Residual unreimbursed uncompensated care amounts for College of Dentistry non-practice plan clinics were overstated by \$240,119.

The State Auditor’s Office has established instructions, criteria, and a template for preparing this annual report. TAMHSC Finance and Administration sends the colleges the SAO reporting template to complete. While discussions between TAMHSC Finance and Administration and the colleges occur as questions arise regarding reporting requirements, written instructions have not been provided to the colleges regarding the information they must provide related to the calculations and reporting. Finance and Administration reviews the reports submitted by the colleges to ensure it balances with the accounting system in total; however, Finance and Administration does not review the line item data submitted by the colleges.

Recommendation

Establish processes to ensure the accuracy of data reported in the Annual Report of Practice Plans and Uncompensated Care.

Management’s Response

TAMHSC Finance and Administration will develop instructions to supplement the State Auditor’s Office instructions, criteria, and template, as well as document review procedures.

The supplemental instructions and SAO information will be distributed to the colleges as part of the report preparation process beginning with the fiscal year 2020 report. As part of the report review, colleges will be required to submit supporting documentation for each line item reported. In preparing the consolidated report, the preparer will review each line item and the supporting documentation provided. The final report will be reviewed and approved by the TAMHSC CFO prior to submission to the SAO.

Target Date: December 31, 2020

3. Account Reconciliations – College of Dentistry

College of Dentistry account reconciliation processes require improvement.

The two reconciliations reviewed lacked key information in determining whether they are completed accurately such as summary balances from the university’s accounting system and the electronic medical record system, and identifying the outstanding reconciling items. In addition, reconciliation processes do not include

documenting the date of the reconciliation, or the preparer and reviewer’s names and dates making it difficult to determine if reconciliations are prepared timely.

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

Establish processes and procedures to complete reconciliations accurately and timely.

Management’s Response

The College of Dentistry is in the process of developing and implementing more detailed processes and procedures for account reconciliations. New procedures will address:

- Timely completion and review of the reconciliation report with signatures and dates of the preparer and reviewer.
- Confirmation of tie out between the electronic medical record system and the university’s accounting system.
- Outstanding reconciling items will be listed along with a resolution status.

Target Date: May 31, 2020

4. State Warrant Holds – College of Medicine

The process for placing state warrant holds on College of Medicine delinquent accounts under \$500 needs improvement. The College of Medicine was following outdated guidelines and, as a result, state warrant holds have not been placed on delinquent account receivable balances under \$500 that have been written off. Current college and university procedures need clarification to ensure compliance with the A&M System requirements to place accounts on state hold regardless of the amount.

A&M System Regulation 21.01.04, *Extension of Credit, Delinquent Accounts, Collections and Write-offs* requires that even though debt is written off, a state hold

is to be placed regardless of the amount. Without state holds, the likelihood of collecting the debt is reduced.

Recommendation

Update procedures to ensure agreement with A&M System state hold requirements and train employees on the requirements. Develop a plan to correct past deficiencies by identifying unreported write-offs and placing them on state hold.

Management's Response

The College of Medicine will work with Texas A&M Financial Management Operations to develop a plan to correct past deficiencies, update internal procedures to place all delinquent accounts on state warrant hold, and train employees accordingly.

Target Date: August 31, 2020

5. College of Dentistry Practice Plan Agreements

Certain elements of the College of Dentistry's practice plan agreements need to be reviewed and updated to ensure consistency between rules, regulations, and current practices. The following discrepancies were noted:

- The college's Request to Engage in Private Practice or Consultation form does not contain all of the information, certifications, and approval levels required by system regulation and university rule. A&M System Regulation 31.05.01, *Faculty Consulting and External Professional Employment* and Texas A&M University Rule 31.05.01.M1, *Faculty Consulting, Outside Professional Employment* have established a specific approval form to document approval of faculty outside employment.
- The OMS professional services program plan provides for an administrative fee of 6% of gross revenue to be paid to the college by OMS professional services. However, a 5% administrative fee is currently being charged based on a decision by college management to provide consistency in fees charged to other departments within the college. Although the fee percentage may be based on cost analysis and other factors, the current fee charges are not consistent with the terms of the agreement.

College agreements should include system and university requirements to provide consistent guidance to college personnel. Agreements should be amended for changes to terms to ensure the college can effectively monitor compliance with agreement terms.

Recommendation

Review the College of Dentistry practice plan provisions to ensure terms and related forms comply with A&M System and university faculty external professional employment approval requirements. Ensure current practices and agreement terms are consistent.

Management’s Response

The College of Dentistry will utilize the System Faculty Consulting and External Professional Employment Application and Approval form for faculty participating in the extramural practice plan. Forms are sent to departments for faculty to complete in July of each year.

For the future administrative fee calculation, we will use the 6% as stated in the OMS professional services program plan. The next administrative fee assessment will be October 2020.

Target Date: October 31, 2020

Basis of Audit

Objective and Scope

The objective of this audit was to determine if internal controls over clinical operations at the Health Science Center are in place and operating as expected.

The audit focused on the following areas:

- Accounts receivable
- Allowances and discounts
- Annual Report of Practice Plans and Uncompensated Care
- Cash handling
- College of Dentistry practice plans
- Professional service agreements
- Account reconciliations
- Employee training

The audit period was primarily September 2018 to August 2019. Fieldwork was conducted from October 2019 to November 2019.

Methodology

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

- To determine if 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 60 delinquent patient accounts designed to be representative of the population.
- To determine whether allowances and discounts were applied in compliance with procedures, auditors used professional judgment to select a nonstatistical sample of 60 transactions designed to be representative of the population.
- To determine whether the information was accurate and agreed to supporting documentation, auditors reviewed the FY 2018 Annual Report of Health Related Institutions Practice Plans and Uncompensated Care.
- To determine if professional service agreements were monitored and in compliance with terms of the agreements, auditors reviewed the entire population of professional services agreements.

- To determine whether processes in place were in compliance with A&M System regulations and university procedures, cash handling procedures at the clinics were reviewed including unannounced counts of clinic working funds.
- To determine whether receipts were deposited in compliance with A&M System regulations and university procedures, auditors used professional judgment to select a nonstatistical sample of 34 deposits designed to be representative of the population.
- To determine whether terms of the agreement were being followed and in compliance with A&M System regulations and university procedures, the College of Dentistry Professional Service Program Plan was reviewed, and a sample of ten professional service program (extramural) agreements designed to be representative of the population were reviewed.
- To determine the timeliness and accuracy of account reconciliations, auditors used professional judgment to select a nonstatistical sample of two months of account reconciliations designed to be representative of the population.
- To determine whether employee training was completed, auditors tested the entire population of employees required to take cash handling and payment card industry training based upon their job duties.

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
- State Auditor’s Office Practice Plan Reporting Instructions
- Committee of Sponsoring Organization’s Internal Control – Integrated Framework
- 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
Sandy Ordner, CPA, CIA, Audit Manager
Zahra Brown, CPA
Debbie Bugenhagen
Mark Heslip, CIA
Nancy Hodgins, CPA

Distribution List

Mr. Michael Young, President
Dr. Carol Fierke, Provost and Executive Vice President
Dr. Jerry Strawser, Executive Vice President for Finance and Operations and Chief Financial Officer
Mr. Greg Hartman, Vice Chancellor for Strategic Initiatives and Interim Senior Vice President for the Health Science Center
Mr. Jeff Burton, Associate Vice President and Chief Financial Officer for the Health Science Center
Mr. Les Jebson, Executive Director of Clinical Business Operations
Dr. Lawrence Wolinsky, Dean, College of Dentistry
Dr. Amy Waer, Dean, College of Medicine
Mr. Kevin McGinnis, Chief Risk, Ethics and Compliance Officer
Ms. Margaret Zapalac, Associate Vice President for Risk, Ethics and Compliance



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

PRAIRIE VIEW A&M UNIVERSITY

FINANCIAL MANAGEMENT SERVICES

February 12, 2020

Charlie Hrncir, CPA
Chief Auditor

Project #20190506



Overall Conclusion

Financial controls and procurement processes at Prairie View A&M University are generally operating as intended and in compliance with applicable laws and policies. Opportunities for improvement were identified in the following areas:

- State of Texas contracting compliance
- Contract insurance requirements
- Account reconciliations

Audit Areas

- Account reconciliations
- Contract administration
- State contracting compliance
- Payment cards
- Travel cards
- Vouchers
- Working funds
- Required financial disclosures

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

Detailed Results

1. State of Texas Contracting Compliance

The university is not in compliance with certain State of Texas contracting requirements. University procurement procedures and processes do not address the following requirements within Texas Government Code Chapter 2261, *State Contracting Standards and Oversight* and Chapter 2252, *Contract with Governmental Entity*, and Texas Education Code 51.9337, *Purchasing Authority Conditional: Required Standards*:

- The A&M System CFO is not being notified of contracts identified as requiring special monitoring.
- The A&M System Contract Reporting Form is not being completed for contracts exceeding a value of \$1 million.
- The A&M System's Purchasing Accountability and Risk Analysis Procedure has not been posted on the university's website.
- Three of four (75%) contracts tested, with a value in excess of \$1 million that were not exempt, did not have the required notarized Texas Employment Commission disclosure of interested parties form (Form 1295).

- All employees authorized to execute contracts or exercise discretion in awarding contracts have not completed required training. A&M System Offices contract management personnel are currently developing a course that will be available in TrainTraq, the A&M System’s web-based training system, to address this requirement.

The A&M System created the Texas A&M University System Contract Management Handbook to help ensure system members are meeting statutory requirements and abiding by system policies and regulations related to contracts and contract reporting. The above requirements are addressed in section 5 *Conflict of Interest*, section 9.B.d *State Contracting Standards and Oversight*, and section 11 *Training and Continuing Education* in the Contract Management Handbook. Lack of adequate processes and procedures in these areas could lead to an increased risk of inadequate or improper contracting practices including potential conflicts of interest within the contracting process.

Recommendation

Address the issues of noncompliance noted above. Update university procurement procedures and processes to ensure compliance with the A&M System Contract Management Handbook.

Management’s Response

The Procurement and Contracts Office will update the PVAMU Procurement and Contracts Procedures Manual to align with the A&M System Contract Management Handbook.

The Procurement and Contracts Office will update/develop checklists for staff use to ensure purchase order and contract processes align with updated procedures.

The Procurement and Contracts Office staff have received all required training. Additional individuals authorized to execute contracts or exercise discretion in awarding contracts will be required to complete the web-based TrainTraq training developed by the A&M System Contract Management Office.

Implementation Date: July 31, 2020

2. Contract Insurance Requirements

Contract administration processes do not ensure vendor insurance coverage obtained is adequate. Vendor insurance coverage did not meet the minimum insurance requirements contained within the following vendor contracts:

- Follet Higher Education Group, Inc.
- Inframark, LLC.
- Champion National Security - Houston
- Continental Bus Lines
- ChinaSense, Inc.

Client contracting personnel were not always aware of insurance types and needs depending on the nature of the contract. Lack of adequate insurance coverage by the vendor increases the risk of liability to the university from claims that arise due to the vendor's actions or products which could negatively impact university finances and operations.

Recommendation

Address the areas of noncompliance with insurance contract terms identified above. Provide additional training to university contracting personnel to ensure insurance coverage required is appropriate and insurance coverage obtained by the vendor meets the minimum requirements stated in the contract.

Management's Response

The areas of noncompliance with insurance contract terms, identified above, will be addressed and corrected.

The Procurement and Contracts Office will request training and assistance from Texas A&M System Risk Management for all Procurement and Contracts personnel to ensure understanding of vendor insurance requirements, as applicable to certain contracts.

The Procurement and Contracts Office will record certificate of insurance (COI) renewals as "deliverables" in the contract management system. The assigned contract manager will request an updated COI from the vendor when system notifications are received. Upon receipt of the updated COI, the contract manager will review and confirm the COI meets the contract insurance requirements.

Implementation Date: July 31, 2020

3. Account Reconciliations

Improvements are needed to ensure account reconciliations are approved and outstanding items are cleared timely. A review of seven expense account reconciliations indicated that accounts are being reconciled accurately and completed in a timely manner. However, improvements are needed to reconciliation approvals and clearing of reconciling items as follows:

- Two of seven (29%) account reconciliations were not reviewed or approved timely.
- Six of seven (84%) account reconciliations had reconciling items that had been outstanding more than 90 days.

University reconciliation procedures state that monthly reconciliations are due within 30 days of the issuance of the monthly FAMIS statements or the accounting period closed. The procedures also state reconciling items are to be cleared within 90 days after the transaction month. Timely completion of reconciliations and resolution of reconciling items is an important control for the detection of errors, discrepancies, and systemic problems. The university is in the process of strengthening account reconciliation controls and procedures and clearing long-term reconciling items.

Recommendation

Ensure procedures and monitoring processes are in place for timely completion of account reconciliations, which includes proper review and approval, and clearing of outstanding reconciling items.

Management's Response

Closely monitoring reconciliation status and resolving outstanding items in a timely manner is crucial to detect errors and discrepancies in account activities and ensure accurate financial reporting. The fiscal offices, within Business Affairs, will continue to emphasize the importance of reconciliations to strengthen this internal control and improve operations and ensure compliance.

Specifically, the reconciliation procedures manuals will be updated to define timeliness expectations for reconciliation review, approval, and the clearing of outstanding items. Reconciling items that are not cleared within 90 days after the transaction month will be specifically highlighted on the reconciliation along with the root cause analysis and/or action plan for clearing the outstanding item.

Implementation Date: November 30, 2020

Basis of Audit

Objective and Scope

The objective of this audit was to assess selected financial controls and procurement processes to determine if they are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Account reconciliations
- Contract administration
- State contracting compliance
- Payment cards
- Travel cards
- Vouchers
- Working funds
- Required financial disclosures

The audit period was primarily September 1, 2018 to August 31, 2019. Fieldwork was conducted from October 2019 to December 2019.

Methodology

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

- To determine the timeliness and accuracy of account reconciliations, auditors used professional judgment to select a nonstatistical sample of seven expense account reconciliations.
- 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 14 contracts based upon magnitude and risk.
- To determine if procurement procedures and processes were in compliance with state contracting requirements, auditors compared current procurement practices to stated requirements within the A&M System *Contract Management Handbook*. In addition, auditors reviewed

for required forms and processes in the 14 contracts selected for contract compliance testing above as applicable.

- To determine whether payment card transactions were reasonable and in compliance with procedures, auditors used data analysis to identify transactions outside the required parameters and professional judgment to select a nonstatistical sample of 60 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 data analysis to identify transactions outside the required parameters and professional judgment to select a nonstatistical sample of 60 travel card transactions designed to be representative of the population.
- To determine whether voucher transactions were appropriate and reasonable, auditors used data analysis to identify transactions outside the required parameters and professional judgment to select a nonstatistical sample of 60 voucher transactions designed to be representative of the population.
- To determine whether working funds were properly accounted for and in compliance with A&M System regulations and university procedures, auditors reviewed all three active working funds at the time of audit fieldwork.
- To determine if required financial disclosures were in compliance with A&M System policies, auditors reviewed financial disclosures completed for all applicable university employees.

Criteria

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

- Texas A&M University System Policies and Regulations
- Prairie View A&M University standard administrative procedures, rules, and guidelines
- Stated contract stipulations
- Texas A&M University System *Contract Management Handbook*
- Texas Government Code Chapter 2261, *State Contracting Standards and Oversight*
- Texas Government Code Chapter 2252, *Contract with Governmental Entity*

- Texas Education Code 51.9337, *Purchasing Authority Conditional: Required Standards*
- 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

Robin Woods, CPA, Director
Brian Billington, CPA, Audit Manager
Juliet Ashaolu
Holly Blue, CPA
Holly Giesenschlag, CPA
Tracey Sadler, CIA

Distribution List

Dr. Ruth Simmons, President
Dr. Corey Bradford, Senior Vice President for Business Affairs
Ms. Wilma Kay Peavy, Executive Director for Procurement & Disbursement Services
Mr. Rod Mireles, Associate Vice President for Financial Management Services
Ms. Catherine Smock, Chief Compliance Officer



System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

**CONSTRUCTION PROJECT REPORTING
TO THE TEXAS HIGHER EDUCATION
COORDINATING BOARD**

February 12, 2020

**Charlie Hrncir, CPA
Chief Auditor**

Project #20200104



Overall Conclusion

Texas A&M University is in compliance with applicable Texas Higher Education Coordinating Board (THECB) application, approval or reporting requirements for development projects, real property acquisitions, and energy saving performance contracts.

Basis of Review

Objective and Scope

The objective of this audit was to determine if development projects, real property acquisitions, and energy saving projects subject to the THECB requirements complied with approval, application or reporting requirements as applicable.

This audit was performed to fulfill the requirements of the THECB Facilities Audit Protocol.

The audit period focused primarily on activity from September 2015 to August 2019. Fieldwork was conducted from September 2019 to January 2020.

Methodology

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

- To determine whether construction projects complied with THECB requirements, auditors reviewed the population of capital projects for the audit period and selected all five projects subject to THECB requirements for testing. Audit procedures were performed to verify that Texas A&M University System Board of Regents approval was obtained, an application for the project was submitted to the THECB, tracking forms were submitted to the THECB as applicable, and the THECB database was updated if the project was completed.
- To determine whether real property acquisitions containing Education and General space complied with THECB requirements, auditors reviewed the population of real property acquisitions for the audit period and determined no acquisitions were subject to the THECB requirements.
- To determine if energy savings contracts obtained required THECB approval, the population of two contracts were selected for testing.

Criteria

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

- Texas A&M University System Policies and Regulations
- Texas Administrative Code Title 19, Part 1, Chapter 17
- Texas Higher Education Board's 2015 Facilities Audit Protocol
- 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
Michelle McMillin, CPA, Senior Manager
Lindsey Thomson, CPA

Distribution List

Texas A&M University:

Mr. Michael K. Young, President
Dr. Carol Fierke, Provost and Executive Vice President
Dr. Jerry R. Strawser, Executive Vice President for Finance & Operations
and Chief Financial Officer
Ms Jane Schneider, Associate Vice President for Facilities and Operations
Mr. Kevin McGinnis, Chief Risk, Ethics, and Compliance Officer
Ms. Margaret Zapalac, Associate Vice President for Risk, Ethics, and Compliance

Texas A&M System Offices:

Mr. John Sharp, Chancellor
Mr. Billy Hamilton, Deputy Chancellor and Chief Financial Officer
Mr. Phillip Ray, Vice Chancellor for Business Affairs
Mr. Russell E. Wallace, Executive Director, Facilities Planning and Construction
Mr. Peter Schmid, Director, Facilities Planning and Construction
Mr. James Davidson, Manager, Area Control, Facilities Planning and Construction