

The Texas A&M University System Internal Audit Department



Monthly Audit Report
July 15, 2020

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Texas A&M University
Contract Administration



Overall Conclusion

The internal controls established over contract administration at Texas A&M University are operating as intended and in compliance with applicable laws and policies. Opportunities for improvement were noted regarding financial disclosures and information technology procurement approvals.

Management concurred with the audit recommendations and indicated that implementation will occur by the end of January 2021.

Audit Areas

- Contract administration
- Contract reporting
- Contract compliance
- Contract monitoring
- Sole source justifications
- State of Texas contracting requirements
- IT procurement approvals
- Required financial disclosures

Detailed Results

1. Financial Disclosures

Financial Interest Disclosure and Certification Forms are not being completed as required by system policy. Eighteen of 38 (47%) employees required to submit a Financial Interest Disclosure and Certification Form for calendar year 2019 had not done so as of May 2020. The form is to be submitted each January for the prior calendar year. Internal controls have not been established at the university to ensure compliance with the financial disclosure requirements of the A&M System.

A&M System Policy 07.03, *Conflicts of Interest, Dual Office Holding and Political Activities*, addresses statutory requirements related to contract administration. Specific system and member employees are required to submit a Financial Interest Disclosure and Certification Form annually to the Office of General Counsel disclosing the financial interests of the employee and their close family members with a private vendor. The form is to be submitted each January for the prior calendar year.

If financial interests are not appropriately disclosed, employees or their close family members could enter into a prohibited contract for the purchase of goods or services with a private vendor with which they have a financial interest.

Recommendation

Develop controls and processes to ensure Financial Interest Disclosure and Certification Forms are filed with the Office of General Counsel in compliance with A&M System Policy 07.03, *Conflicts of Interest, Dual Office Holding and Political Activities*.

Management's Response

The Office of Risk, Ethics, and Compliance will develop procedures to ensure Financial Interest Disclosure and Certification Forms are filed with the Office of General Counsel in compliance with A&M System Policy 07.03, *Conflicts of Interest, Dual Office Holding and Political Activities*.

Target Date: January 31, 2021

2. Information Technology (IT) Procurement Approvals

IT-related purchases over \$250,000 are not always submitted to the System Chief Information Officer (SCIO) for approval as required by system policy. Six of 12 (50%) IT-related purchases reviewed were not submitted to the SCIO. Employees responsible for IT contracting processes were not aware that these purchases, including renewals, were required to be sent to the SCIO for approval.

A&M System Regulation 29.01.01, *Information Resources Governance*, states that the SCIO shall approve member information resources procurements that equal or exceed \$250,000. Non-compliance limits the SCIO's ability to ensure the system is gaining efficiencies through systemwide IT contracts.

Recommendation

Implement a monitoring process to ensure all IT-related purchases that equal or exceed \$250,000 are submitted to the SCIO for approval in compliance with A&M System Regulation 29.0101, *Information Resources Governance*.

Management's Response

Upon review of the six IT-related purchases identified as not submitted to the SCIO, we are confident four of the six, if originated today, would appropriately route to the SCIO based on designed approval workflows and improvements in AggieBuy that have occurred since the origin of requisitions associated with the documents reviewed.

The remaining two purchases relate to renewals or additional orders of earlier approved purchases. To address these exceptions, Procurement Services will 1) coordinate a discussion with the SCIO to clarify how to address renewals or multi-year purchases originating at less than \$250,000 but with a probability to subsequently reach this threshold and 2) then establish appropriate processes to route for SCIO approval.

Target Date: September 1, 2020

Basis of Audit

Objective and Scope

The objective of this audit was to assess internal controls to determine if contract administration processes at Texas A&M University are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Contract administration
- Contract reporting
- Contract compliance
- Contract monitoring
- Sole source justifications
- State of Texas contracting requirements
- IT procurement approvals
- Required financial disclosures

The audit period was primarily September 2018 to August 2019. Fieldwork was conducted from November 2019 to March 2020.

Methodology

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

- To determine if sole source purchases were made in compliance with policies and procedures, auditors selected a nonstatistical sample of 30 sole source purchases using professional judgement, focusing on higher risk purchases and departments with larger purchases.
- To determine the completeness of contract reporting required by Government Code §2261, *State Contracting Standards and Oversight*, auditors selected a nonstatistical sample of 10 contracts through random selection.
- To determine if adequate contract monitoring processes are in place within select departments, auditors selected a nonstatistical sample of five departments based on the number of contracts and the level of financial risk of the contracts. For each department, auditors selected a

nonstatistical sample of two contracts primarily based on the financial amounts of the contracts.

- To determine if monitoring processes were in place for major university contracts, auditors selected a nonstatistical sample of 10 contracts based on the risk level of the contract and the revenue or expense terms of the contract.

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 System Contract Management Handbook
- Texas A&M University Rules and Standard Administrative Procedures
- Government Code §2261, *State Contracting Standards and Oversight*
- Department Standard Operating 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 (GAGAS). 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. The Office of Internal Audit is independent per the GAGAS standards for internal auditors.

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