

The Texas A&M University System Internal Audit Department

**INTERNAL AUDIT ANNUAL REPORT
FOR FISCAL YEAR 2020**



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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, the annual internal audit plan, the annual internal audit report and audit reports are posted on the Internal Audit Department's Internet website. Audit reports include detailed observations and management's responses for addressing the observations. Unless excepted from public disclosure, items are posted within 30 days of completion.

II. Internal Audit Plan for Fiscal Year 2020

Audit Title By System Member	Report #	Report Date
<i>System-wide Audits</i>		
Compliance with Benefits Proportional by Fund Requirements FY18	20200101	5/7/2020
Compliance with Benefits Proportional by Fund Requirements FY19	20200110	8/12/2020
Member-Administered Major Construction Projects	20200111	In Progress
<i>A&M System Offices</i>		
Available University Fund (AUF) Reporting	20200108	4/15/2020
Texas Higher Education Coordinating Board – Construction Audit Reporting	20200104	2/12/2020
<i>Texas A&M University</i>		
Bush School Information Technology	20200202	12/19/2019
Division of Information Technology	20200209	10/14/2020
Division of Finance Information Technology	20200204	12/19/2019
Health Science Center Information Technology	20200211	In Progress
Health Science Center Clinical Healthcare Operations	20200201	2/12/2020
Animal Care and Use	20200208	9/16/2020
Contract Administration	20200203	7/15/2020
Service Rates	20200205	5/7/2020
Purchasing - Payment Cards	20200210	In Progress
Minors on Campus	cancelled	N/A
Clery Act Reporting	20200206	6/10/2020
<i>Prairie View A&M University</i>		
Health and Safety	20200503	In Progress
Clery Act Reporting	20200502	10/14/2020
Student Information System	20200504	In Progress
<i>Tarleton State University</i>		
Clery Act Reporting	20200401	8/12/2020
Tuition and Fees	20200402	9/16/2020
<i>Texas A&M International University</i>		
Student Information System	20201601	3/17/2020
<i>Texas A&M - Central Texas</i>		
Student Information System	20202401	4/15/2020
<i>Texas A&M University - Commerce</i>		
Student Information System	20202101	3/17/2020
<i>Texas A&M University - Corpus Christi</i>		
Financial Management Services	20201502	In Progress
Student Information System	20201501	1/15/2020

Audit Title By System Member	Report #	Report Date
<i>Texas A&M University - San Antonio</i>		
Health and Safety	20202501	In Progress
Student Information System	cancelled	N/A
<i>Texas A&M University - Texarkana</i>		
Financial Aid	20202201	In Progress
Health and Safety	20202202	In Progress
<i>West Texas A&M University</i>		
Financial Aid	20201801	8/12/2020
Minors on Campus	cancelled	N/A
<i>Texas A&M AgriLife Extension Service</i>		
Information Technology	20200601	7/15/2020
<i>Texas A&M AgriLife Research</i>		
Information Technology	20200601	7/15/2020
<i>Texas A&M Engineering Extension Service</i>		
Health and Safety	cancelled	N/A
Sponsored Programs	cancelled	N/A
<i>Texas A&M Engineering Experiment Station</i>		
Information Technology	20200801	In Progress
<i>Texas A&M Forest Service</i>		
Health and Safety	20201101	10/14/2020
<i>Texas A&M Transportation Institute</i>		
Export Controls	20201201	9/16/2020
<i>Texas A&M Veterinary Medical Diagnostic Laboratory</i>		
Health and Safety	20202001	4/15/2020

Deviations from Fiscal Year 2020 Audit Plan

The following fiscal year 2020 projects were cancelled:

- Texas A&M University – Minors on Campus
- Texas A&M University – San Antonio – Student Information System
- West Texas A&M University – Minors on Campus
- Texas A&M Engineering Extension Service – Health & Safety
- Texas A&M Engineering Extension Service – Sponsored Programs

Benefits Proportionality

The following audits were performed to address the benefits proportionality audit requirement prescribed in Rider 8, page 111-48 of the General Appropriations Act.

Audit Title	Report #	Report Date
Compliance with Benefits Proportional by Fund Requirements FY18	20200101	5/7/2020
Compliance with Benefits Proportional by Fund Requirements FY19	20200110	8/12/2020

Texas Education Code, Section 51.9337 **Texas Government Code, Section 2102.005(b)**

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. Audits of purchases of goods and services by A&M System members, as determined by the annual risk-based audit plan, will assess compliance with these rules, policies and additional contract controls.

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 Tarleton State University	10/16/2019	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 Title IX Processes at Texas A&M University	11/6/2019	The objective was to review processes in place for the investigation and resolution of Title IX complaints.	Suggestions for improvement were provided.
Review of Southeast Service Corporation Contract Administration at West Texas A&M University	11/13/2019	The objective was to review internal controls over the administration of the Southeast Service Corporation contract.	Suggestions for improvement were provided.
Review of the December 2019 Legislative Action Plan for the Texas Department of Emergency Management	3/3/2020	The objective was to validate the reasonableness of the information reported in the status of the Texas Department of Emergency Management's update of the Legislative Action Plan submitted in December 2019.	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 2021

This section includes the approved internal audit plan for fiscal year 2021.



**THE TEXAS A&M
UNIVERSITY SYSTEM**

System Internal Audit Department

Fiscal Year 2021 Audit Plan



System Internal Audit Department Fiscal Year 2021 Audit Plan

SYSTEMWIDE AUDITS

Purchasing Cards
Texas Higher Education Coordinating Board Construction Audit Reporting

A&M SYSTEM OFFICES

Treasury Services – Cash and Investments
Security Operations Center

TEXAS A&M UNIVERSITY

Collegiate Licensing
Accounts Payable (Travel)
International Ocean Discovery Program
Purchasing
Transportation Services - Information Technology
Student Information System
Tuition and Fees

PRAIRIE VIEW A&M UNIVERSITY

Financial Management Services - Revenue Management

TARLETON STATE UNIVERSITY

Student Information System
Student Housing

TEXAS A&M INTERNATIONAL UNIVERSITY

Financial Management Services

TEXAS A&M UNIVERSITY–CENTRAL TEXAS

Financial Aid
Financial Management Services

TEXAS A&M UNIVERSITY–COMMERCE

Financial Management Services

TEXAS A&M UNIVERSITY–CORPUS CHRISTI

Information Technology



**System Internal Audit Department
Fiscal Year 2021 Audit Plan**

TEXAS A&M UNIVERSITY–KINGSVILLE

Student Information System
Financial Management Services

TEXAS A&M UNIVERSITY–SAN ANTONIO

Student Information System

TEXAS A&M UNIVERSITY–TEXARKANA

Student Information System

WEST TEXAS A&M UNIVERSITY

Student Information System
Financial Management Services

TEXAS A&M AGRILIFE RESEARCH

Centers and Institutes
Animal Care and Use - Outside Brazos County

TEXAS A&M ENGINEERING EXTENSION SERVICE

Financial Management Services
Health and Safety

TEXAS A&M FOREST SERVICE

Financial Management Services

TEXAS A&M TRANSPORTATION INSTITUTE

Health and Safety

TEXAS DIVISION OF EMERGENCY MANAGEMENT

Governance



System Internal Audit Department Fiscal Year 2021 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 2021. 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.

Internal Audit Plan for Fiscal Year 2021

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 2021 audit plan were risks associated with benefits proportionality as described in Rider 8, page III-48, the General Appropriations Act (86th Legislature), contract administration as described in Government Code 2261, State Contracting Standards and Oversight 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 cancelled 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. The total budgeted hours for the audit plan is 36,600.

Internal Audit Plan for Fiscal Year 2021

Listing of audits included in the fiscal year 2021 Audit Plan which address the following:

Benefits Proportionality

None

Contract Management

TEXAS A&M UNIVERSITY

Collegiate Licensing
International Ocean Discovery Program
Transportation Services - Information Technology

TEXAS A&M INTERNATIONAL UNIVERSITY

Financial Management Services

TEXAS A&M UNIVERSITY–CENTRAL TEXAS

Financial Management Services

TEXAS A&M UNIVERSITY–COMMERCE

Financial Management Services

TEXAS A&M UNIVERSITY–KINGSVILLE

Financial Management Services

TEXAS A&M UNIVERSITY–TEXARKANA

Student Information System

WEST TEXAS A&M UNIVERSITY

Financial Management Services

TEXAS A&M ENGINEERING EXTENSION SERVICE

Financial Management Services

TEXAS A&M FOREST SERVICE

Financial Management Services

VI. External Audit Services Procured in Fiscal Year 2020

System Offices

Audit of Easterwood Airport Passenger Facility Charge

Texas A&M University

Review of Consolidated Financial Statements

Compliance Audit of the Title IV Program

Agreed-Upon Procedures for Intercollegiate Athletics Program

Audit of KAMU-TV Station Financial Statements

Audit of KAMU-FM Radio Station Financial Statements

Audit of Texas A&M University Office in Mexico Financial Statements

Program - Specific Audit of Cancer Prevention & Research Institute of Texas Grant Program-TAMU

Program - Specific Audit of Cancer Prevention & Research Institute of Texas Grant Program-HSC

Prairie View A&M University

Agreed-Upon Procedures for Intercollegiate Athletics Program

Audit of KPVU-FM Radio Station Financial Statements

Tarleton State University

Agreed-Upon Procedures for Financial Aid

Review of Financial Statements

Agreed-Upon Procedures for Intercollegiate Athletics Program

Texas A&M University – Commerce

Compliance Audit of the Title IV Program

Audit of Texas A&M University-Commerce Alumni Association Financial Statements

Audit of Texas A&M University-Commerce Foundation Financial Statements

Audit of KETR – FM Radio Station Financial Statements

Texas A&M University – Corpus Christi

Review of Financial Statements for FY18

Review of Financial Statements for FY19

Agreed-Upon Procedures for Intercollegiate Athletics Program

Agreed-Upon Procedures for Scholarship Program

West Texas A&M University

Agreed-Upon Procedures for Intercollegiate Athletics Program

Texas A&M AgriLife Research

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

Texas A&M AgriLife Extension Service

Audit of Stiles Farm Foundation Financial Statements

Texas A&M Research Foundation

Audit of Financial Statements

VII. Reporting Suspected Fraud and Abuse

General Appropriations Act fraud reporting requirements:

Members of the A&M System have a link on their home page for reporting suspected fraud, waste and abuse. The *Risk, Fraud & Misconduct Hotline* link directs an individual to the A&M System's vendor supported anonymous reporting hotline which informs individuals of methods to report fraud including a link to the State Auditor's Office Fraud, Waste or Abuse Hotline website and toll-free telephone number.

The A&M System's policy and regulation on *Fraud, Waste and Abuse* (<http://policies.tamus.edu/10-02.pdf> and <https://policies.tamus.edu/10-02-01.pdf>) establish the responsibilities of the employees, management, and Internal Audit related to the prevention, deterrence, detection, and investigation of fraud, waste, 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 incidences that the department believes involve fraud, misappropriation or misuse of funds received by the A&M System from the state.

VIII. Contracting Audits – Fiscal Years 2016 – 2020

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 and each of its member institutions.

Report Title By System Member	Report #	Report Date	Follow Up
<i>A&M System Offices</i>			
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
Facilities, Planning & Construction	20190107	January 2020	March 2020
<i>Texas A&M University</i>			
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 & Safety	20170210	November 2017	January 2020
Recreational Sports	20180201	March 2018	July 2018
Facilities Condition	20180202	March 2018	November 2018
University Center	20180211	August 2018	April 2019 July 2020
Student Activities	20190204	June 2019	2020
Contract Administration	20200203	July 2020	In Progress
Bush School Information Technology	20200202	December 2019	March 2020
Health Science Center - Clinical Healthcare Operations	20200201	February 2020	In Progress
Division of Information Technology	20200209	October 2020	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	December 2019
Information Technology	20180504	November 2018	September 2019
Financial Management Services	20190506	February 2020	In Progress
<i>Tarleton State University</i>			
Athletics	20170403	August 2017	May 2018
Financial Management Services	20190402	April 2019	August 2020
<i>Texas A&M International University</i>			
Health & Safety	20181601	May 2018	March 2019
Athletics	20191601	May 2019	October 2019

Report Title By System Member	Report #	Report Date	Follow Up
<i>Texas A&M University-Central Texas</i> Student Information System	20202401	April 2020	In Progress
<i>Texas A&M University-Commerce</i> Financial Management Services Athletics	20152101 20192103	December 2015 October 2019	January 2017 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 Contract Administration Health & Safety Athletics Department	20161702 20171701 20181701 20181703	August 2016 April 2017 January 2018 November 2018	November 2017 May 2018 June 2019 September 2019
<i>Texas A&M University-San Antonio</i> Financial Management Services Financial Management Services	20152504 20192502	January 2016 September 2019	January 2018 In Progress
<i>Texas A&M University-Texarkana</i> Athletics Financial Management Services	20172202 20182201	June 2017 November 2018	April 2018 January 2020
<i>West Texas A&M University</i> Auxiliary Services – Bookstore, Housing and Athletics	20161801	December 2016	March 2019
<i>Texas A&M AgriLife Research, AgriLife Extension, and Veterinary Diagnostic Laboratory</i> Financial Management Services	20180606	October 2018	September 2019
<i>Texas A&M Engineering Extension Service</i> Export Controls	20180901	March 2018	July 2019
<i>Texas A&M Engineering Experiment Station</i> Financial Management Services Research Centers and Institutes	20170801 20180801	June 2017 March 2018	October 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