

The Texas A&M University System Internal Audit Department



Monthly Audit Report
January 13, 2021

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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

**UNIVERSITY-ADMINISTERED MAJOR
CONSTRUCTION**

January 13, 2021

**Charlie Hrcir, CPA
Chief Auditor**

Project #20200111



Overall Conclusion

Internal controls over university-administered major construction at Texas A&M University are operating as intended and in compliance with applicable laws and policies.

A major construction project is any work involving the construction, repair, renovation or rehabilitation of buildings, facilities, or other permanent improvements with scopes of \$4 million or more in cost. A&M System members are delegated authority to administer projects up to \$10 million. At Texas A&M University, Utilities & Energy Services (UES) manages utility and energy infrastructure projects and the remaining projects are managed by Southeast Service Corporation (SSC) as part of the university's contract for campus services. SSC contracts with providers to obtain services to complete the projects. Facilities and Dining Administration is responsible for overseeing the contract for outsourced services with SSC.

For the audit period of September 1, 2018 through August 31, 2020, UES had 7 active projects with a combined budget of \$60 million and SSC had 14 active projects with a combined budget of \$91 million.

Summary Table

Audit Areas	Controls Assessment
Contractor Selection Processes	Effective – No Observations
Insurance	Effective – No Observations
Oversight/Monitoring	Effective – No Observations
Payment Applications	Effective – No Observations
Performance and Payment Bonds	Effective – No Observations
Program of Requirements	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over Texas A&M University administered major construction projects are operating as intended and in compliance with laws and policies.

The audit focused on the following areas:

- Contractor selection processes
- Insurance
- Oversight/monitoring
- Payment applications
- Performance and payment bonds
- Program of requirements

The audit period was primarily September 1, 2018 to August 31, 2020. Fieldwork was conducted from October 2020 to December 2020. The construction project population included projects within Brazos County that are managed by SSC.

For each methodology step, auditors used professional judgement to select a nonstatistical sample of two projects managed by UES and four projects managed by SSC.

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

Audit Objective	Methodology
<p><u>Contractor Selection Processes</u></p> <p>Determine whether the contractor selection process met requirements of A&M System Policy 51.02 <i>Selection of Architect/Engineer Design Team and Construction Contractor</i> for UES projects and A&M System guidance for SSC projects.</p>	<p>For the sample of projects, auditors reviewed documentation to determine if the following requirements were met:</p> <ul style="list-style-type: none">• Project was advertised on the Electronic State Business Daily• Criteria was established and included in the request for qualification and/or request for proposal

Audit Objective	Methodology
	<ul style="list-style-type: none"> • Selection process was documented, selection criteria matched the request for proposal or qualifications, and was evaluated by a committee • Historically Underutilized Business (HUB) submissions were reviewed for adequacy by University Procurement Services • Selection committee rankings were routed to the president for concurrence, the chancellor for approval and, if required, submitted to the board to give exception (UES projects only)
<p><u>Insurance</u></p> <p>Determine whether UES project contractors have insurance in place per contract requirements.</p> <p>Determine whether SSC has insurance in place per university contract requirements and gain an understanding of insurance requirements for SSC project contractors.</p>	<p>For UES projects, auditors compared contract requirements and insurance certificates to ensure required insurance coverage was in place for the duration of the projects.</p> <p>Auditors compared insurance requirements in the university's contract with SSC to current insurance certificates.</p> <p>For SSC projects, auditors gained an understanding of SSC contractor insurance requirements through inquiry and review of contracts and insurance certificates.</p>
<p><u>Oversight/Monitoring</u></p> <p>Determine if appropriate personnel demonstrate oversight and monitoring of project progress.</p>	<p>For the sample of projects, auditors reviewed documentation such as inspection reports, meeting agendas, and meeting minutes for occurrence and inclusion of appropriate personnel such as management,</p>

Audit Objective	Methodology
	project managers, and end users as applicable.
<p><u>Payment Applications</u></p> <p>Determine whether construction payments are properly supported and processed for payment.</p>	<p>For the sample of projects, auditors selected two payment applications per project and reviewed for the following:</p> <ul style="list-style-type: none"> • Adequate supporting documentation was included in the university’s electronic payment system (UES projects) and in SSC’s project management system • Accurate project management fee calculation (SSC projects) • Appropriate review by UES or end user
<p><u>Performance and Payment Bonds</u></p> <p>Determine whether payment and performance bonds were in place as required by A&M System Policy 51.01 <i>Capital Planning</i> for UES projects and A&M System guidance for SSC projects.</p>	<p>For the sample of projects, auditors reviewed project documentation to ensure payment and performance bonds for the amount of construction were in place prior to the commencement of work.</p>
<p><u>Program of Requirements</u></p> <p>Determine whether the program of requirements was prepared as required by A&M System Policy 51.01 <i>Capital Planning</i>.</p>	<p>For the sample of projects, auditors verified that a program of requirements was prepared and approved by the CEO prior to being on the capital plan for initiation in the next fiscal year.</p>

Controls Assessment Classification

Audit areas highlighted in red in the Summary Table are considered to have significant weaknesses in internal controls. Significant weaknesses include errors, deficiencies, or conditions which result in one or more violations of internal controls, laws, A&M System policies, or member rules. These violations have a

high probability for legal consequences, financial consequences, or negative impacts to the organization's reputation. These are situations in which a CEO, provost, vice president, dean, or director need to be involved in the problem resolution.

Audit areas highlighted in yellow in the Summary Table are considered to have notable weaknesses in internal controls. Notable weaknesses include errors, deficiencies or conditions which result in minor to moderate noncompliance with internal controls, laws, A&M System policies, or member rules. These are situations which can and should be corrected at the department or supervisor level.

Audit areas highlighted in green in the Summary Table are considered to have effective internal controls.

Items that were not significant or notable were communicated to management during the course of the audit.

Criteria

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

- Texas A&M University System Policies and Regulations
- Texas Government Code Chapter 2253 *Public Work Performance and Payment Bonds*
- Texas Education Code Chapter 51, Subchapter T- *Construction and Repair of Permanent Improvements*
- A&M System Memorandum on Guidelines for SSC Managed Renovation and Construction Work
- 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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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY-TEXARKANA

STUDENT FINANCIAL AID

January 13, 2021

**Charlie Hrcir, CPA
Chief Auditor**

Project #20202201



Overall Conclusion

Internal controls over student financial aid processes at Texas A&M University-Texarkana are operating as intended and in compliance with applicable laws and policies. During the 2019 – 2020 academic year approximately 1,700 of 2,200 students received some form of student aid totaling over \$17 million.

Summary Table

Audit Areas	Controls Assessment
Account Reconciliations	Effective – No Observations
CARES Act Grants	Effective – No Observations
Cost of Attendance	Effective – No Observations
Federal Work-Study	Effective – No Observations
General Eligibility	Effective – No Observations
Eligibility and Certification Approval Report	Effective – No Observations
Loan Disclosures	Effective – No Observations
Loan Limits	Effective – No Observations
Pell/SEOG Awards	Effective – No Observations
Required Training/Code of Conduct	Effective – No Observations
Return of Title IV Funds	Effective – No Observations
Satisfactory Academic Progress	Effective – No Observations
Verifications	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to assess internal controls over student financial aid to determine if the university is in compliance with applicable laws and policies.

The audit focused on the following areas:

- Account Reconciliations
- Coronavirus Aid, Relief, and Economic Security (CARES) Act Grants
- Cost of Attendance
- Federal Work-Study
- General Eligibility
- Eligibility and Certification Approval Report
- Loan Disclosures
- Loan Limits
- Pell/SEOG Awards
- Required Training/Code of Conduct
- Return of Title IV Funds
- Satisfactory Academic Progress
- Verifications

The audit period was primarily July 1, 2019 to June 30, 2020. Fieldwork was conducted from October 2020 to November 2020.

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

Audit Objective	Methodology
<u>Account Reconciliations</u> Determine if reconciliations are properly and accurately completed.	Auditors selected the university’s most recent Fiscal Operations Report and Application to Participate (FISAP) and judgmentally selected six account reconciliations including three federal accounts, two state accounts, and one scholarship account and reviewed the reconciliation and supporting

Audit Objective	Methodology
	documentation for accuracy and completeness.
<p><u>CARES Act Grants</u></p> <p>Determine if funds received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act were allocated in compliance with requirements.</p>	<p>Auditors reviewed the university’s processes including required forms and reports for administering CARES Act grant funds for compliance with requirements. Auditors also selected a statistical sample of 30 students that received CARES Act grant funds and verified the students were eligible to receive the funds.</p>
<p><u>Cost of Attendance</u></p> <p>Determine compliance with federal student financial aid cost of attendance requirements.</p>	<p>Auditors randomly selected a nonstatistical sample of 30 students receiving financial aid and reviewed cost of attendance calculations for accuracy. Auditors also reviewed the university’s methodology for estimating costs of attendance for reasonableness and proper documentation.</p>
<p><u>Federal Work-Study</u></p> <p>Determine if federal work-study payments are within award limits and accurately reflected in Banner and that contracts with off campus employers are in compliance with state and system policies and regulations.</p>	<p>Auditors randomly selected a nonstatistical sample of 15 federal work-study award recipients and reviewed the federal work study payments for compliance with award limits. Auditors also reviewed the university’s work study contract with an off campus employer for compliance with state and system policies and regulations.</p>
<p><u>General Eligibility</u></p> <p>Determine compliance with federal student financial aid eligibility requirements.</p>	<p>Auditors used data analysis to identify transactions outside specified financial aid eligibility parameters and reviewed outliers for compliance with federal student financial aid requirements.</p>

Audit Objective	Methodology
<p><u>Eligibility and Certification Approval Report(ECAR)</u></p> <p>Determine if all locations and third-party service providers are listed appropriately on the university’s eligibility and certification approval report.</p>	<p>Auditors identified all university locations and third-party service providers used for financial aid and ensured these are included on the university’s most recent ECAR as required.</p>
<p><u>Loan Disclosures</u></p> <p>Determine if federal student loan letters of disclosure and entrance and exit counseling are in compliance with federal student financial aid requirements.</p>	<p>Auditors randomly selected a nonstatistical sample of 30 students who received federal direct subsidized or unsubsidized loans and verified that letters of disclosure and disbursement notifications were provided to the students within the required time period and included all required information. Auditors also verified students attended entrance and exit counseling as required.</p>
<p><u>Loan Limits</u></p> <p>Determine if federal student loans are within award limits in compliance with federal student financial aid requirements.</p>	<p>Auditors used data analysis to identify transactions outside specified loan award limit parameters and reviewed outliers for compliance with federal student financial aid requirements.</p>
<p><u>Pell/SEOG Awards</u></p> <p>Determine if federal Pell and SEOG funds are awarded in compliance with federal student financial aid requirements.</p>	<p>Auditors used data analysis to identify transactions outside specified Pell and SEOG award limit and eligibility parameters and reviewed outliers for compliance with federal student financial aid requirements.</p>
<p><u>Required Training/Code of Conduct</u></p> <p>Determine if student financial aid employees completed required training and if a code of conduct has been prepared and published in</p>	<p>Auditors tested the entire population of current student financial aid employees for completion of required training related to fair lending practices, FERPA, and ethics.</p>

Audit Objective	Methodology
compliance with federal student financial aid requirements.	Auditors also reviewed the code of conduct for the Office of Scholarships & Financial Aid and verified that it is displayed prominently on the institution's website and properly disseminated.
<p><u>Return of Title IV Funds</u></p> <p>Determine if financial aid funds for students withdrawing are properly calculated and returned in a timely manner.</p>	Auditors randomly selected a nonstatistical sample of 30 students receiving federal aid that initially enrolled and attended classes, and then withdrew from all classes. This included 15 students who officially withdrew and 15 determined to have unofficially withdrawn. Funds returned were tested for accuracy and timeliness in compliance with federal student financial aid requirements.
<p><u>Satisfactory Academic Progress</u></p> <p>Determine if students are appropriately monitored for satisfactory academic progress.</p>	Auditors randomly selected a nonstatistical sample of 20 students indicated to be in good academic standing and 20 students indicated as not meeting academic requirements and tested for compliance with federal and university satisfactory academic progress requirements.
<p><u>Verifications</u></p> <p>Determine if eligibility verifications are completed properly and adequately documented.</p>	Auditors randomly selected a nonstatistical sample of 30 students flagged for verification and tested eligibility verifications for proper completion in compliance with federal student financial aid requirements.

Controls Assessment Classification

Audit areas highlighted in red in the Summary Table are considered to have significant weaknesses in internal controls. Significant weaknesses include errors, deficiencies, or conditions which result in one or more violations of internal controls, laws, A&M System policies, or member rules. These violations have a

high probability for legal consequences, financial consequences, or negative impacts to the organization's reputation. These are situations in which a CEO, provost, vice president, dean, or director need to be involved in the problem resolution.

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Audit areas highlighted in green in the Summary Table are considered to have effective internal controls.

Items that were not significant or notable were communicated to management during the course of the audit.

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 - Texarkana Rules and Standard Administrative Procedures
- Department of Education, 2019-2020 Federal Student Aid Handbook
- 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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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

WEST TEXAS A&M UNIVERSITY

STUDENT INFORMATION SYSTEM

January 13, 2021

Charlie Hrncir, CPA
Chief Auditor

Project #20211802



Overall Conclusion

Internal controls over the student information system at West Texas A&M University are operating as intended and in compliance with applicable laws and policies.

West Texas A&M University had combined undergraduate and graduate student enrollment of 10,061 for the fall 2020 semester and awarded over \$63 million in student financial aid in the 2019-2020 academic year.

Summary Table

Audit Areas	Controls Assessment
Application Logical Security	Effective – No Observations
Change Management	Effective – No Observations
Data Backups	Effective – No Observations
Disaster Recovery	Effective – No Observations
Physical Security	Effective – No Observations
Server and Database Logical Security	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls are in place to ensure the confidentiality, integrity, and availability of the student information system at West Texas A&M University.

The audit focused on the following areas:

- Application logical security
- Change management
- Data backups
- Disaster recovery
- Physical security
- Server and database logical security

The audit period was primarily September 1, 2019 to October 31, 2020. Fieldwork was conducted from September 2020 to November 2020.

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

Audit Objective	Methodology
<p><u>Application Logical Security</u></p> <p>Determine if controls for password settings, user account management, and privileged user accounts are in place and appropriate to secure the application.</p>	<p>Auditors reviewed application password settings including length, expiration, complexity, and lockout controls for compliance with university procedures.</p> <p>Auditors reviewed the processes for granting new users access to Colleague. Auditors obtained a list of Colleague user accounts and selected a random sample of 10 new user accounts created during the audit period. The new user accounts were tested for required access request forms, approvals, and required training completions prior to access being granted.</p>

Audit Objective	Methodology
	<p>Auditors reviewed the processes for terminating Colleague user access. Auditors obtained a list of user accounts and a list of active employees for comparison to ensure only active employees had Colleague accounts.</p> <p>Auditors obtained and reviewed the two user access security reviews conducted by the university during the audit period.</p> <p>Auditors obtained a list of Colleague users sorted by form access. For forms identified by management to be high risk, auditors verified that modify access was appropriate. Additionally, auditors obtained a list of users with administrative access and verified the access was appropriate.</p> <p>Auditors reviewed the processes for granting and removing access to the test environment. Auditors obtained a list of users with test environment access and verified that the access was appropriate.</p>
<p><u>Change Management</u></p> <p>Determine if change management processes and controls are appropriate.</p>	<p>Auditors reviewed the university’s change control procedures to ensure the test and production environments are adequately segregated and controls are in place for vendor-supplied upgrades.</p> <p>Auditors used professional judgment to select a nonstatistical sample of ten changes and verified the change requests were documented, reviewed,</p>

Audit Objective	Methodology
	approved, tested, and communicated as required by established procedures.
<p><u>Data Backups</u></p> <p>Determine if data backup processes and controls are adequate to restore student information system data.</p>	<p>Auditors used professional judgment to select a sample of seven Colleague servers and reviewed backup logs to ensure backups were performed timely, successfully, and in compliance with university rules and procedures. Auditors also reviewed controls in place to ensure ransomware attacks were prevented or mitigated.</p>
<p><u>Disaster Recovery</u></p> <p>Determine whether disaster recovery plans are in place and whether tests of the disaster recovery plans are conducted.</p>	<p>The university’s disaster recovery plan, business continuity plan, and disaster recovery testing documentation were reviewed to ensure compliance with university and state requirements.</p>
<p><u>Physical Security</u></p> <p>Determine if physical security and environmental controls, in compliance with university SAPs and security controls, are in place and operating as intended.</p>	<p>Auditors interviewed Division of IT personnel and reviewed documentation to determine if physical security and environmental controls are appropriate and in compliance with university rules, procedures, and controls.</p>
<p><u>Server and Database Logical Security</u></p> <p>Verify that logical security controls for student information system servers and databases are operating as intended and in compliance with university procedures and control standards.</p>	<p>Auditors used professional judgement to select a non-statistical sample of five Windows servers used by the student information system and reviewed system configuration history in the following areas: password policy, patch management, anti-virus software and supported operating systems. Vendor resources were utilized to identify critical security</p>

Audit Objective	Methodology
	<p>patches released during the audit period.</p> <p>Auditors also used professional judgement to select a nonstatistical sample of two Linux servers used by the student information system and reviewed system configuration history in the following areas: password policy, patch management, anti-virus software, less safe practices, and supported operating systems. Vendor resources were utilized to identify critical security patches released during the audit period.</p> <p>Auditors reviewed system configuration history to determine the database is supported by the vendor.</p>

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Audit areas highlighted in green in the Summary Table are considered to have effective internal controls.

Items that were not significant or notable were communicated to management during the course of the audit.

Criteria

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

- Texas A&M University System Policies and Regulations
- Texas Department of Information Resources Security Control Standards Catalog
- West Texas A&M University Rules and Standard Administrative Procedures
- West Texas A&M University Information Security Controls Catalog
- 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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