

The Texas A&M University System Internal Audit Department



Monthly Audit Report
October 13, 2021

TABLE OF CONTENTS

Texas A&M Engineering Extension Service
Financial Management Services

Prairie View A&M University
Financial Management Services-Revenue Management

Texas A&M University
Student Information System



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M ENGINEERING EXTENSION SERVICE

FINANCIAL MANAGEMENT SERVICES

October 13, 2021

**Charlie Hrncir, CPA
Chief Auditor**

Project #20210901



Overall Conclusion

Internal controls over financial management services at Texas A&M Engineering Extension Service are operating as intended with the exception of state contract reporting. Opportunities for improvement were identified in the areas of state warrant holds and contracting standards and oversight.

Summary Table

Audit Areas	Controls Assessment
State Contract Reporting – Texas Ethics Commission	Needs Significant Improvement
State Contract Reporting – Legislative Budget Board	Needs Significant Improvement
State Warrant Holds	Needs Some Improvement
Contracting Standards and Oversight	Needs Some Improvement
Accounts Receivable	Effective – No Observations
Account Reconciliations	Effective – No Observations
Contract Administration	Effective – No Observations
Expenditures - Travel Cards	Effective – No Observations
Expenditures - Vouchers	Effective – No Observations
Working Funds	Effective – No Observations
Sponsored Programs – Contract Administration	Effective – No Observations
Sponsored Programs - Contract Provision Monitoring	Effective – No Observations
Sponsored Programs - Contract Drawdowns	Effective – No Observations
Sponsored Programs - Contract Closeout	Effective – No Observations
Sponsored Programs - Homeland Security National Training Program Reporting	Effective – No Observations

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

Detailed Results

1. State Contract Reporting - Texas Ethics Commission

The agency is not in compliance with disclosure reporting requirements in Texas Government Code. All four contracts tested, with a value in excess of \$1 million that were not exempt, did not have the required notarized Texas Ethics Commission Disclosure of Interested Parties Form (Form 1295) completed.

Texas A&M University provides procurement services to the agency through a business services agreement; however, neither the university nor the agency could provide documentation that addressed specific contract expectations, responsibilities, or deliverables. In addition, the agency does not have processes in place to ensure all the applicable contracted services are provided. During the audit, the agency and the university agreed the university should be obtaining and reporting the required disclosure form.

Texas Government Code Chapter 2252, *Contracts with Governmental Entity*, requires vendors to submit a Disclosure of Interested Parties Form prior to certain contracts being executed. The member is required to report the form's certification number to the Texas Ethics Commission within 30 days of the execution of the contract. The lack of clearly defined service terms, as well as the lack of monitoring processes, increases the risk of inadequate or improper contracting practices and noncompliance with state contracting requirements.

Recommendation

Work with the university to update the business services agreement to clearly define the deliverables and responsibilities of each party. Develop procedures and monitoring processes to ensure the contracted services are provided and that the agency is compliant with state contract reporting requirements.

Management's Response

Management concurs and will be executing an Intrasystem Cooperation Contract with Texas A&M University that delineates services performed and the responsibilities of each party. Additionally, TEEX will develop procedures to monitor the completion of these requirements. Implementation date will be October 31, 2021.

2. State Contract Reporting - Legislative Budget Board

The agency is not in compliance with contract reporting requirements in the General Appropriations Act. Nine of 16 (56%) purchase orders reviewed were either not reported to the Legislative Budget Board (3) or were reported at incorrect values (6). Agency staff are reporting purchase orders at current values and are not including all extensions and expected expenditures. The current values are updated as contract extensions are exercised. The agency does not have processes in place to ensure purchase orders are accurately reported.

General Appropriations Act, Article IX, Section 7.04, *Contract Notification: Amounts Greater than \$50,000*, requires that all contracts over \$50,000 be reported to the Legislative Budget Board within 30 days of the execution of the contract. Other requirements provide for lower dollar thresholds and shorter deadlines depending on the type of contract. Legislative Budget Board guidance also requires the maximum contract value include the value of the contract, amendments, and all extensions or renewals even if not exercised. Incorrect reporting can impact the Legislative Budget Board's ability to monitor procurements and conduct in-depth analysis of certain contracts.

Recommendation

Develop procedures and monitoring processes to ensure required contracts are reported to the Legislative Budget Board and that the correct amounts are reported. Ensure agency employees responsible for this reporting understand the requirements to ensure the agency is compliant with state contract reporting requirements.

Management's Response

Management concurs and will develop a written procedure for determining expected purchasing contract values and monitoring of variable purchasing contracts to ensure timely reporting to the Legislative Budget Board. Additionally, TEEEX will review recently executed purchasing contracts at least bi-weekly to ensure compliance with the reporting requirements.

Purchasing procedures will be updated on the TEEEX Intranet, TEEEX Connect, for reference and used by all TEEEX employees.

Implementation date will be October 31, 2021.

3. State Warrant Holds

Certain customers with delinquent accounts are not being placed on state warrant hold. The agency's accounts receivable procedure does not define when an account is determined to be delinquent, but does state that when an account is submitted for write-off, Financial Services will place the account on state warrant hold. Debts determined to be delinquent should be placed on state warrant hold to ensure payments are not issued to individuals or entities indebted to the state.

The majority of the agency's outstanding accounts are with local, state or federal organizations that would not typically be placed on state warrant hold; however, some of the outstanding accounts involve private sector customers that should be placed on state hold. A taxpayer, employer or other state/national tax identification number is required in order to place an individual or organization on state warrant hold. The agency does not have processes in place to ensure the necessary identification numbers are obtained at the time the services are provided.

A&M System Regulation 21.01.04, *Extension of Credit, Delinquent Accounts, Collections, and Write-offs*, states that when a debt is determined to be delinquent, the member must utilize the state comptroller's warrant hold process. In addition, the state comptroller's Accounting Policy Statement (APS) 028 requires all debts to be placed on state hold regardless of amount, even if the debt has been written off. Failure to place accounts on state warrant hold increases the risk that future state payments may be issued to individuals or organizations indebted to the state and reduces the likelihood of collection.

Recommendation

Enhance procedures and monitoring processes to ensure delinquent accounts are placed on state warrant hold in compliance with A&M System regulation and agency requirements. Review the agency's administrative procedure to ensure it fully aligns with A&M System regulation.

Management's Response

Management concurs and will enhance procedures and monitoring processes to ensure delinquent accounts are placed on state warrant hold in compliance with A&M System regulations. Implementation date will be November 15, 2021.

4. Contracting Standards and Oversight

The agency is not in compliance with certain State of Texas contracting requirements, as follows:

- Purchase orders were not consistently posted to the contract transparency website in a timely manner. Eight of 18 (44%) purchase orders tested were not posted to the website as required. For part of the audit period, there was miscommunication between the university and the agency about which office was performing this task. The university posted the purchase orders in question during the audit.
- The A&M System contract reporting form is not being completed for contracts exceeding a value of \$1 million.

Texas A&M University provides procurement services to the agency through a business services agreement; however, neither the university nor the agency could provide documentation that addressed specific contract expectations, responsibilities, or deliverables. In addition, the agency does not have processes in place to ensure all the applicable contracted services are provided. During the audit, the agency and the university recognized these particular tasks had not been clearly assigned to either member.

Texas Government Code 2261, *State Contracting Standards and Oversight*, requires specific contract administration and monitoring processes to be in place. The lack of clearly defined service terms, as well as the lack of monitoring processes, increases the risk of inadequate or improper contracting practices and noncompliance with state contracting requirements.

Recommendation

Work with the university to update the business services agreement to clearly define the deliverables and responsibilities of each party. Develop procedures and monitoring processes to ensure contracted services are provided and that the agency is compliant with state contracting requirements.

Management's Response

Management concurs and will be executing an Intrasystem Cooperation Contract with Texas A&M University that delineates services performed and the responsibilities of each party. Under the terms of this contract, TEEEX will utilize the services of TAMU Procurement Services for the posting of TEEEX purchase

orders to the contract transparency website. Additionally, TEEEX will develop and implement procedures to complete and submit the required purchasing contract reporting form to the A&M System. Implementation date will be October 31, 2021.

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over financial management services at Texas A&M Engineering Extension Service are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- State contract reporting
- State warrant holds
- Contracting standards and oversight
- Accounts receivable
- Account reconciliations
- Contract administration
- Expenditures - travel cards
- Expenditures - vouchers
- Working funds
- Sponsored programs – contract administration
- Sponsored programs - contract provision monitoring
- Sponsored programs - contract drawdowns
- Sponsored programs - contract closeout
- Sponsored programs - Homeland Security National Training Program reporting

The audit period was primarily September 1, 2019 to March 31, 2021. Fieldwork was conducted from March 2021 to July 2021.

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

Audit Objective	Methodology
<u>State Contract Reporting</u> Determine compliance with state contract requirements for reporting.	Auditors selected all FY 2021 agency contracts over \$50,000 and verified whether they were reported to the Legislative Budget Board and/or the Texas Ethics Commission, if required.

Audit Objective	Methodology
<p><u>State Warrant Holds</u></p> <p>Determine whether state warrant holds are placed in accordance with A&M System regulation and agency procedures.</p>	<p>Auditors gained an understanding of the state warrant hold processes.</p>
<p><u>Contracting Standards and Oversight</u></p> <p>Determine compliance with state contract requirements for standards and oversight, conflicts of interest, and training.</p>	<p>Auditors reviewed the following for compliance:</p> <p>Training requirements, per Texas Government Code 656, which includes:</p> <ul style="list-style-type: none"> • Training and/or certification for purchasing personnel • Training for contract signatories <p>Contracting standards, per Texas Government Code 2261, which includes:</p> <ul style="list-style-type: none"> • Disclosure of potential financial conflicts of interest and prohibited contracts • Posting of certain contracts • Procedure to identify contracts requiring enhanced monitoring and required A&M System reporting • Completion of contract reporting form for contracts \$1 million or more • Certification of solicitation process for contracts over \$5 million • Purchasing accountability and risk analysis guidelines
<p><u>Accounts Receivable</u></p> <p>Determine whether accounts receivable are processed in</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 30 customer accounts based on magnitude and risk.</p>

Audit Objective	Methodology
compliance with established policies and procedures.	Account documentation was reviewed to ensure the collections process was performed in compliance with A&M System policy and agency procedures.
<p><u>Account Reconciliations</u></p> <p>Determine whether account reconciliations are completed timely and if outstanding items are reasonable.</p>	<p>Auditors gained an understanding of the reconciliation process for bank and clearing accounts.</p> <p>Auditors used professional judgment to select a nonstatistical sample of 10 account reconciliations based on magnitude and risk.</p> <p>Reconciliations were reviewed for timeliness of preparation, review, and clearing of outstanding items.</p>
<p><u>Contract Administration</u></p> <p>Determine whether contracts were properly approved and selected terms were monitored for compliance.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 10 contracts based upon magnitude and risk. Executed contracts were reviewed for proper approval based upon contract type, magnitude, and term.</p> <p>Auditors used professional judgment to select a nonstatistical sample of five contracts based upon magnitude and risk. Supporting documentation of agency monitoring of select contract terms was reviewed.</p>
<p><u>Travel Cards</u></p> <p>Determine whether travel transaction monitoring is reasonable and in compliance with procedures.</p>	<p>Auditors gained an understanding of travel card monitoring and approval processes.</p> <p>Auditors selected a random sample of 60 travel expense reports based on population size and risk. Travel</p>

Audit Objective	Methodology
	expense reports were tested for compliance with agency procedures.
<p><u>Vouchers</u></p> <p>Determine whether voucher transactions are reasonable and in compliance with procedures.</p>	<p>Auditors performed data analysis on all vouchers processed during the audit period to identify top vendors by total dollar amount, potential split vouchers, and duplicate vouchers.</p> <p>Results were analyzed for reasonableness and reviewed with client.</p> <p>Auditors used professional judgment to select both a nonstatistical sample from the data analysis results and a random sample of vouchers. Documentation from the client and the procurement system was reviewed for evidence of:</p> <ul style="list-style-type: none"> • Detailed supporting documentation • Appropriate account and object codes • Contracts related to the top ten vendors • Appropriate purchasing procedure compliance
<p><u>Working Funds</u></p> <p>Determine whether working funds are properly accounted for and in compliance with regulations and established procedures.</p>	<p>Auditors gained an understanding of working fund processes and obtained a list of working funds, fund amounts, and custodians for each.</p> <p>Auditors tested the population of two working funds to ensure working fund custodians have taken required cash handling training. Auditors also obtained and reviewed documentation of recent surprise cash counts for each working fund.</p>

Audit Objective	Methodology
<p><u>Sponsored Programs – Contract Administration</u></p> <p>Determine whether sponsored program contracts were approved timely and in compliance with the agency’s delegation of authority.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 10 sponsored program contracts based upon magnitude and risk. Executed contracts were reviewed for proper approval based upon contract type, magnitude, and term.</p>
<p><u>Sponsored Programs – Contract Provision Monitoring</u></p> <p>Determine whether monitoring processes were in place to ensure compliance with key sponsored program contract provisions.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 10 sponsored program contracts based upon magnitude and risk. Supporting documentation of agency monitoring of select contract terms was reviewed.</p>
<p><u>Sponsored Programs – Contract Drawdowns</u></p> <p>Determine whether sponsored program contract drawdowns were completed timely, properly approved, and adequately documented.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 10 sponsored program contracts based upon magnitude and risk. Documentation was reviewed to ensure timely completion, appropriate approvals, and proper supporting documentation for drawdowns.</p>
<p><u>Sponsored Programs – Contract Closeout</u></p> <p>Determine whether sponsored program contracts were closed out in accordance with established procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of five closed sponsored program contracts based upon magnitude and risk. Closeout documentation was reviewed to ensure timely closeout and proper monitoring of expenditures.</p>

Audit Objective	Methodology
<p><u>Sponsored Programs – Homeland Security National Training Program Reporting</u></p> <p>Determine whether participant and class information for the Homeland Security National Training Program (HSNTP) contract were reported accurately and timely.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of five HSNTP classes. Documentation was reviewed to ensure all required class information was reported accurately and timely.</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 A&M Engineering Extension Service Rules and Standard Administrative Procedures
- Stated contract stipulations
- Texas A&M University System *Contract Management Handbook*
- Texas Government Code 2252.908, *Disclosure of Interested Parties*
- Texas Government Code Chapter 2261, *State Contracting Standards and Oversight*
- General Appropriations Act, Article IX, Section 7.04, *Contract Notification: Amounts Greater than \$50,000*
- The 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 (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.

Audit Team

Robin Woods, CPA, Director
Charles Hepburn, CPA, Audit Manager
Joseph Nunez, CIA
Daniel Garland
Mark Heslip, CIA

Distribution List

Dr. John E. Hurtado, Interim Vice Chancellor of Engineering
Mr. David Coatney, Agency Director
Ms. Tracy Foster, Associate Agency Director and Chief Financial Officer
Mr. Brian Stipe, Assistant Chief Financial Officer and Controller
Mr. Jonathan Dikes, Assistant Chief Financial Officer, Contracts and Grants
Mr. Mark Posada, Assistant Agency Director, Strategic and Education Services,
and Ethics and Compliance Officer



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

PRAIRIE VIEW A&M UNIVERSITY

**FINANCIAL MANAGEMENT SERVICES-
REVENUE MANAGEMENT**

October 13, 2021

**Charlie Hrcir, CPA
Chief Auditor**

Project #20210501



Overall Conclusion

Internal controls over revenue management at Prairie View A&M University are operating as intended and in compliance with applicable laws and policies. An opportunity for improvement was noted in the area of contract monitoring.

Summary Table

Audit Areas	Controls Assessment
Contract Monitoring	Needs Some Improvement
Accounts Receivable	Effective – No Observations
Contract Administration	Effective – No Observations
Student Accounts Receivable	Effective – No Observations

Management agrees with the audit recommendation and indicated that implementation will occur by the end of March 2022.

Detailed Results

Contract Monitoring

The Contracts Office did not perform monitoring for 3 of 3 (100%) contracts identified as requiring enhanced monitoring. In the fall of 2019, the Contracts Office performed a risk assessment, identified contracts requiring enhanced monitoring, and drafted a monitoring schedule for fiscal year 2020. Due to staff turnover and the pandemic impacts on department operations, the scheduled monitoring was not performed. Projected revenue for the three contracts for calendar year 2020 was approximately \$1.5 million. The pandemic caused a reduction in sales and commissions in these contracts and required amendments for one of the contracts which resulted in the actual revenue received totaling \$558,624.

Texas Government Code 2261 *State Contracting Standards and Oversight* requires agencies to conduct enhanced contract or performance monitoring based on risk. This process should be performed at the origination of the contract. Insufficient monitoring of contract terms can increase the risk of vendor compliance and performance issues, which could have a significant financial and operational impact on the university.

Recommendation

Ensure enhanced contract monitoring is performed and documented through the completion of the contract monitoring form. Update the enhanced contract monitoring risk assessment and schedule as new contracts are added or changes to planned monitoring occur.

Management's Response

The Procurement and Contracts Office recently hired a new director, another buyer, and another contract specialist to assist with daily operations and to better balance the workload to allow continuation of contract monitoring efforts. Along with the new director, the Procurement and Contracts Office now includes a procurement supervisor, two buyers, two contract specialists, and a contract negotiator.

The Contracts Office will review and update the risk assessment template as needed.

The Contracts Office will review and update the contract monitoring schedule to resume monitoring of existing contracts and update the schedule as new contracts are executed or changes occur.

The Contracts Office will meet with and train existing and new contract administrators on their role and responsibilities, which includes monitoring and evaluating contractor performance in accordance with the monitoring schedule.

The Contracts Office will post the contract monitoring form on its website to be available for contract administrators to initiate monitoring according to the monitoring schedule.

Implementation date: March 31, 2022

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if selected internal controls and processes over revenue management at Prairie View A&M University were operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Contract monitoring
- Accounts receivable
- Contract administration
- Student accounts receivable

The audit period was primarily January 1, 2020 through December 31, 2020. Fieldwork was conducted from June 2021 to July 2021.

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

Audit Objective	Methodology
<u>Contract Monitoring</u> Determine if contracts are monitored for compliance.	Auditors used professional judgment to select a nonstatistical sample of five revenue contracts based upon magnitude and risk. Obtained and reviewed executed contracts, monitoring checklists, and supporting documentation for contract term fulfillment.
<u>Accounts Receivable</u> Determine if non-student receivables are processed in compliance with established policies and procedures.	Auditors used professional judgment to select a nonstatistical sample of ten accounts receivable based upon magnitude and risk. Obtained and reviewed supporting documentation for the billing and collection efforts for each selected account. Determined if billing and collection efforts were timely and in compliance with policies and procedures.

Audit Objective	Methodology
<p><u>Contract Administration</u></p> <p>Determine if contracts are properly approved and in compliance with procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of five revenue contracts based upon magnitude and risk. Contracts were obtained and reviewed for proper approval and conflict of interest disclosures. For one contract sampled over \$1 million, obtained and reviewed the notarized copy of the Texas Ethics Commission disclosure of interested parties form.</p>
<p><u>Student Accounts Receivable</u></p> <p>Determine if student receivables are processed in compliance with established policies and procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 30 accounts receivable based upon magnitude and risk. Obtained and reviewed supporting documentation for the billing and collection efforts for each selected account. Determined if billing and collection efforts were timely and in compliance with policies and procedures.</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
- Prairie View A&M University Rules and Standard Administrative Procedures
- Texas Government Code
- 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.

Audit Team

Robin Woods, CPA, Director
Chesney Cote, CPA, Senior Manager
Jessica Bolding, CPA
Derrick Osizugbo
Stacy Spann

Distribution List

Dr. Ruth Simmons, President
Dr. Cynthia Carter-Horn, Senior Vice President of Business Affairs
Ms. Dianne Evans, Assistant Vice President for Financial Management Services
Ms. Equilla Jackson, Director of Treasury Services
Ms. Cozette Turner, Director of Accounting Services
Ms. A. Marie Johnson, Executive Director of Procurement and Disbursement Services
Ms. Catherine Smock, Chief Compliance Officer



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

STUDENT INFORMATION SYSTEM

October 13, 2021

Charlie Hrncir, CPA
Chief Auditor



Overall Conclusion

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

Texas A&M University, including the Health Science Center and campuses at Galveston, Qatar and McAllen, had combined undergraduate and graduate student enrollment of 70,958 for the fall 2020 semester. The student information system processed over \$774 million in student financial assistance in the 2019-2020 academic year including scholarships, fellowships, waivers, grants, and loans.

Summary Table

Audit Areas	Controls Assessment
Application Logical Security	Effective - No Observations
Change Management	Effective - No Observations
Data Backups	Effective - No Observations
Disaster Recovery Plan	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 Texas A&M University.

The audit focused on the following areas:

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

The audit period was primarily June 1, 2020 through May 31, 2021. Fieldwork was conducted from June 2021 to August 2021.

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 and determined settings are in compliance with university procedures.</p> <p>Auditors reviewed the processes for granting new user access to the student information system. Auditors selected a random sample of 55 new user accounts created during the audit period. The selected accounts were tested for required access request forms, approvals, and required training.</p> <p>Auditors reviewed the processes for terminating user access. Auditors obtained a list of enabled accounts and a list of active employees and compared to ensure only active employees or appropriate contractors held access to student information system accounts.</p> <p>Auditors obtained and reviewed the most recent user access security review conducted. Auditors tested completeness of the security classes reviewed, and were able to determine changes requested to user access during the review were appropriately made.</p> <p>Auditors obtained a listing of individuals with privileged user account access to the student</p>

Audit Objective	Methodology
	<p>information system and verified the access was appropriate.</p> <p>Auditors consulted with management to identify forms/screens considered high risk. Auditors judgmentally selected a sample of 15 forms and ensured modify access to the selected forms was appropriate.</p> <p>Auditors reviewed the processes for granting and removing access to the test environment. Auditors reviewed the user accounts with access to migrate changes from test to production to ensure 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 change management procedures to ensure adequate controls were in place including appropriate segregation of duties in the change process.</p> <p>Auditors reviewed example change requests to verify changes were documented, approved, and tested. Auditors also verified documentation of vendor involvement in the change process.</p>
<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 reviewed the processes for data backup. Auditors judgmentally selected a sample of twenty servers and verified that backups are in place. For these servers, the auditors also gained an understanding of the controls in place to protect backups from unauthorized access.</p>

Audit Objective	Methodology
<p><u>Disaster Recovery Plan</u></p> <p>Determine whether disaster recovery plans are in place and whether tests of the disaster recovery plans are conducted.</p>	<p>The student information system disaster recovery plan was reviewed to ensure compliance with state requirements and sufficient documentation of the recovery processes for the student information system.</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 in the following areas:</p> <ul style="list-style-type: none"> • Database supported version • Oracle database patch management • Patch management • Supported operating systems • Password policy • Local user accounts • Root remote access • Pre logon banner 	<p>Auditors used professional judgment to select a nonstatistical sample of 16 Linux servers and reviewed system configuration history, use of supported operating systems, root remote access, pre-logon banner, timely application of security patches, local user accounts, and compliant password policy.</p> <p>Auditors judgmentally selected a sample of four related databases and reviewed them for the use of supported versions and the timely application of security patches.</p> <p>Vendor resources were utilized to identify critical security patches released during the audit period.</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 Government Code
- Texas Administrative Code
- Texas Department of Information Resources Security Control Standards Catalog
- Texas A&M University System Policies and Regulations
- Texas A&M University Rules and Procedures
- Texas A&M University Security Control Standards 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.

Audit Team

Amanda Dotson, CPA, Director
David Maggard, CPA, Senior Manager
Ana-Lisa Liotta, CIA
Keith Newland, CISA
Bill Williams, CISA

Distribution List

Dr. M. Katherine Banks, President
Dr. Tim Scott, Interim Provost and Executive Vice President
Mr. John Crawford, Chief Financial Officer
Mr. Greg Hartman, Chief Operations Officer
Mr. Joseph Pettibon II, Vice President for Enrollment and Academic Services
Mr. Ramesh Kannappan, Assistant Vice President
Mr. Juan Garza, Associate Vice President
Mr. Ed Pierson, Interim Vice President for Information Technology and Chief Information Officer
Mr. Michael Sardaryzadeh, Associate Vice President and Chief Information Security Officer
Mr. Kevin McGinnis, Chief Risk, Ethics, and Compliance Officer
Ms. Margaret Zapalac, Associate Vice President for Risk, Ethics and Compliance