

The Texas A&M University System Internal Audit Department



Monthly Audit Report
April 13, 2022

TABLE OF CONTENTS

Texas A&M University
Higher Education Emergency Relief Funds Compliance



Overall Conclusion

Internal controls over Higher Education Emergency Relief Funds (HEERF) at Texas A&M University are operating as intended and in compliance with applicable laws and policies.

Higher Education Emergency Relief Funds were granted under three programs, HEERF I, II, and III, which were authorized by the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan Act, respectively. Texas A&M University has been awarded over \$208 million as follows:

- Student aid \$93,808,397 - \$72 million expended in audit period
- Institutional aid \$115,043,909 - \$71 million expended in audit period

The university expended a total of \$143 million in HEERF during the audit period.

Summary Table

Audit Areas	Controls Assessment
Accuracy of Reported Expenditures	Effective – No Observations
Cash Management	Effective – No Observations
Institutional Aid - Calculated Costs	Effective – No Observations
Institutional Aid - Expenditures and Reimbursements	Effective – No Observations
Reporting Requirements	Effective – No Observations
Student Aid - Emergency Financial Aid Grant Eligibility	Effective – No Observations
Student Aid - Student Aid Allocations	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Accuracy of reported expenditures
- Cash management
- Institutional aid - calculated costs
- Institutional aid - expenditures and reimbursements
- Reporting requirements
- Student aid - emergency financial aid grant eligibility
- Student aid - student aid allocations

The audit period was primarily September 1, 2020 to September 30, 2021. Fieldwork was conducted from December 2021 to February 2022.

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

Audit Objective	Methodology
<u>Accuracy of Reported Expenditures</u> Determine the accuracy of reported HEERF expenditures.	Auditors gained an understanding of the processes used to determine reportable amounts by expense category for institutional expenditures and to determine the amounts reported for emergency financial aid grants. Auditors obtained HEERF reports, agreed amounts to supporting documentation, and reviewed for accuracy and reasonableness.
<u>Cash Management</u>	Auditors obtained and reviewed HEERF drawdowns to determine if

Audit Objective	Methodology
<p>Determine whether the university complied with cash management requirements.</p>	<p>funds were drawn down within the required timeframe. Drawdowns were also reviewed for maintenance in interest bearing accounts and whether any interest over \$500 was remitted to the federal government.</p> <p>Auditors gained an understanding of the university’s plans to allocate remaining funds.</p>
<p><u>Institutional Aid - Calculated Costs</u></p> <p>Determine whether calculated costs expended from institutional aid were in compliance with HEERF program requirements.</p>	<p>Auditors reviewed the methods used to determine the value of lost revenue and indirect costs related to COVID.</p> <p>Auditors obtained lost revenue and indirect cost calculations and reviewed for agreement to supporting documentation, reasonableness, and compliance with requirements.</p>
<p><u>Institutional Aid - Expenditures and Reimbursements</u></p> <p>Determine whether expenditures and reimbursements from institutional aid were in compliance with HEERF program requirements.</p>	<p>Auditors randomly selected a nonstatistical sample of 18 expenditures and 30 reimbursements from institutional aid. Auditors used professional judgment to select an additional 12 expenditures based on transactions with high dollar value. Expenditures and reimbursements were reviewed to determine if:</p> <ul style="list-style-type: none"> • Transactions complied with program requirements for allowable costs • Proper documentation was retained • Costs were incurred on or after March 13, 2020 • Expenditure transactions complied with university requirements for disbursements

Audit Objective	Methodology
	<p>Auditors performed data analysis and reviewed transactions for:</p> <ul style="list-style-type: none"> • Object codes that do not appear to be associated with significant changes to the delivery of instruction or defraying expenses associated with COVID • Payroll expenses associated with unallowable employees • Refund amounts that were significantly higher than other refunds issued in the same category • Multiple refunds issued to the same individual in the same category • Refunds issued for fiscal year 2021 activity <p>Auditors reviewed reimbursements issued to the athletics department from institutional aid to determine if awards complied with federal and university requirements.</p> <p>Auditors used professional judgment to select a sample of 30 employees whose payroll was charged to institutional aid to determine if the employees' activities were directly related to COVID.</p> <p>Auditors gained an understanding of the university's plan to meet the HEERF III institutional aid additional requirements for practices to monitor and suppress COVID and direct outreach to financial aid applicants.</p>

Audit Objective	Methodology
<p><u>Reporting Requirements</u></p> <p>Determine whether the university complied with HEERF reporting requirements.</p>	<p>Auditors gained an understanding of the university’s processes for preparing HEERF reports for student and institutional aid awards including responsible parties, deadlines, submission, and public posting requirements.</p> <p>Auditors reviewed the HEERF expenditure reports submitted by the university for timely completion, submission, and compliance with posting requirements. Student aid reports were reviewed for compliance with federal requirements, including how grants were distributed to students, grant amounts awarded to students, grant calculations, and instructions given to students.</p>
<p><u>Student Aid - Emergency Financial Aid Grant Eligibility</u></p> <p>Determine whether emergency financial aid grants issued to students were in compliance with HEERF program requirements.</p>	<p>Auditors gained an understanding of the process for providing emergency grants to students under each HEERF program including:</p> <ul style="list-style-type: none"> • Criteria for eligibility • Methodology for verifying eligibility • Prioritization of awards to students with exceptional need • Methodology for determining each grant amount <p>Auditors performed data analysis and reviewed results to determine whether any students received significantly higher awards than the approved amount and whether the university prioritized students with exceptional need for HEERF II and III.</p>

Audit Objective	Methodology
	Auditors randomly selected a nonstatistical sample of 60 student aid grants to determine if awards complied with eligibility requirements, agreed to predetermined amounts, and were in compliance with requirements for application to outstanding balances as applicable.
<p><u>Student Aid - Student Aid Allocations</u></p> <p>Determine whether student aid allocations were provided to students as emergency financial aid grants.</p>	Auditors reviewed emergency financial aid grants to ensure funds were awarded as emergency grants, at least 50% of HEERF I was distributed as student grants, at least the same dollar amount of HEERF II was distributed as student grants, and at least the minimum amount of HEERF III was made available for student grants.

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 University Rules and Standard Administrative Procedures
- Office of Postsecondary Education, Department of Education HEERF grant programs and guidance
- 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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