

The Texas A&M University System Internal Audit Department



Monthly Audit Report
February 9, 2022

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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TARLETON STATE UNIVERSITY

**HIGHER EDUCATION
EMERGENCY RELIEF FUNDS
COMPLIANCE**

February 9, 2022

**Charlie Hrncir, CPA
Chief Auditor**

Project #20220401



Overall Conclusion

Internal controls over Higher Education Emergency Relief Funds (HEERF) at Tarleton State 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. Tarleton has been awarded over \$60 million as follows:

- Student aid \$25,838,969 - \$21.16 million expended in the audit period
- Institutional aid \$32,333,185 - \$14.2 million expended in the audit period
- Strengthening Institutions Program (SIP) aid \$2,575,236 - \$599,638 expended in the audit period

The university expended a total of \$36 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 and SIP Aid - Calculated Costs	Effective – No Observations
Institutional and SIP 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 Tarleton State 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 and SIP aid - calculated costs
- Institutional and SIP aid - expenditures and reimbursements
- Reporting requirements
- Student aid - emergency financial aid grant eligibility
- Student aid - student aid allocations

The audit period was primarily March 1, 2020 to September 30, 2021. Fieldwork was conducted from November 2021 to December 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>Accuracy of Reported Expenditures</u></p> <p>Determine the accuracy of reported HEERF expenditures.</p>	<p>Auditors gained an understanding of the processes used to determine reportable amounts by expense category for institutional and SIP expenditures and to determine the amounts reported for emergency financial aid grants.</p> <p>Auditors obtained HEERF reports, agreed amounts to supporting documentation, and reviewed for accuracy and reasonableness.</p>
<p><u>Cash Management</u></p>	<p>Auditors obtained and reviewed HEERF drawdowns to determine if funds were drawn down within the</p>

Audit Objective	Methodology
<p>Determine whether the university complied with cash management requirements.</p>	<p>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 and SIP Aid - Calculated Costs</u></p> <p>Determine whether calculated costs expended from institutional and SIP 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 and SIP Aid - Expenditures and Reimbursements</u></p> <p>Determine whether expenditures and reimbursements from institutional and SIP aid were in compliance with HEERF program requirements.</p>	<p>Auditors randomly selected a nonstatistical sample of 30 expenditures, 15 housing reimbursements, and 15 dining reimbursements from institutional aid. Additionally, five expenditures and five study abroad reimbursements were randomly selected from SIP aid. 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 • 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 • Dates incurred before March 13, 2020 <p>Auditors randomly selected a nonstatistical sample of 30 student grants funded from institutional aid to determine if awards complied with federal and university requirements</p>
<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, institutional, and SIP 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>Auditors gained an understanding of the process for providing emergency</p>

Audit Objective	Methodology
<p>Determine whether emergency financial aid grants issued to students were in compliance with HEERF program requirements.</p>	<p>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> <p>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>
<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>	<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.</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
- Tarleton State 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.

Audit Team

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System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M FOREST SERVICE

**RURAL VOLUNTEER FIRE DEPARTMENT
ASSISTANCE PROGRAM**

February 9, 2022

**Charlie Hrcir, CPA
Chief Auditor**

Project #20221101



Overall Conclusion

Internal controls over the Rural Volunteer Fire Department Assistance Program at Texas A&M Forest Service (TAMFS) are operating as intended and in compliance with applicable laws and policies.

The Rural Volunteer Fire Department Assistance Program (RVFDAP) was created in 2001 by the 77th Legislature and is administered by the Texas A&M Forest Service. This program provides cost share grants to rural volunteer fire departments to assist with the purchase of equipment and training. The program provides two types of grants: Volunteer Fire Department (VFD) Assistance and Texas Intrastate Fire Mutual Aid System (TIFMAS). Funding for VFD Assistance grants is derived from assessments to certain property and casualty insurers. Funding for TIFMAS grants is received from the Department of Insurance Fund. For fiscal year 2021, total grant funds budgeted for VFD Assistance and TIFMAS were \$16,123,818 and \$950,000, respectively.

Summary Table

Audit Areas	Controls Assessment
Code Compliance	Effective – No Observations
Fund Allocation Methodology and Monitoring	Effective – No Observations
TIFMAS Grants – Award Process	Effective – No Observations
VFD Assistance Grants - Award Process	Effective – No Observations
VFD Assistance Grants – Cost-Share Payments	Effective – No Observations
VFD Assistance Grants - Emergency Awards	Effective – No Observations
VFD Assistance Database	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over the Rural Volunteer Fire Department Assistance Program at Texas A&M Forest Service are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Code compliance
- Fund allocation methodology and monitoring
- TIFMAS – award process
- VFD Assistance Grants – award process
- VFD Assistance Grants – cost-share payments
- VFD Assistance Grants – emergency awards
- VFD Assistance database

The audit period was primarily September 1, 2020 to August 31, 2021. Fieldwork was conducted from November 2021 to December 2021.

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

Audit Objective	Methodology
<u>Code Compliance</u> Determine if the Rural Volunteer Fire Department Assistance Program is administered in compliance with applicable State of Texas codes.	Auditors reviewed procedures and documentation that demonstrate agency compliance with provisions of Texas Government Code Chapter 614, Subchapter G and Texas Administrative Code Title 4, Part 12, Chapter 216.
<u>Fund Allocation Methodology and Monitoring</u> Determine if grant funds are budgeted in accordance with the government code, administrative code, and agency procedures; and are	For fiscal year 2021 legislative appropriations, auditors reviewed the following: <ul style="list-style-type: none">• Expense categories for compliance with government and administrative code requirements.

Audit Objective	Methodology
monitored for proper use and accuracy.	<ul style="list-style-type: none"> Methodology and calculation of VFD Assistance allocations for regions and equipment for reasonableness. Monitoring processes and practices in place to manage budget and utilization of grant funds.
<p><u>TIFMAS Grants –Award Process</u></p> <p>Determine if the grant recipient fire departments met eligibility requirements, and the award process followed agency procedures.</p>	<p>Auditors selected the population of TIFMAS equipment awards (3) for fiscal year 2021. TIFMAS grant applications were reviewed for eligibility requirements, rating criteria support, accurate numerical rating calculations, grant award acceptance documentation, and TIFMAS commitment.</p> <p>Auditors compared the May 2021 listing of outstanding grant applications to the May 2021 grant awards to ensure award order was in accordance with the agency’s TIFMAS grant procedures.</p>
<p><u>VFD Assistance Grants – Award Process</u></p> <p>Determine if grant recipient VFDs met eligibility requirements, and the award process followed agency procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 15 VFD Assistance grant awards for fiscal year 2021. VFD Assistance grant applications were reviewed for eligibility requirements, rating criteria support, accurate numerical rating calculations, and grant award acceptance documentation.</p> <p>Auditors compared the October 2020 listing of outstanding grant applications to the October 2020 grant awards to ensure award order was in accordance with the agency’s VFD Assistance grant procedures.</p>

Audit Objective	Methodology
<p><u>VFD Assistance Grants - Cost-Share Payments</u></p> <p>Determine if payments to grant recipient VFDs followed agency procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 30 cost-share payments made during fiscal year 2021. Grant documentation was reviewed for compliance with the agency’s VFD Assistance grant procedures including the following as applicable:</p> <ul style="list-style-type: none"> • Proof of VFD payment • Timing of VFD purchase • Cost-share limit • Non-collusion affidavit • Slip-on unit application • Certificate of training completion • TAMFS equipment inspection
<p><u>Emergency Grants</u></p> <p>Determine if emergency grant requirements were met and followed agency procedures.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of five declared state of disaster or catastrophic loss emergency grants awarded in fiscal year 2021. Grant documentation was reviewed for compliance with agency emergency grant procedures including the following as applicable:</p> <ul style="list-style-type: none"> • Event requirements • Application • TAMFS inspection • Funding committee approval • Grant acceptance letters • Purchase documentation
<p><u>VFD Assistance Database</u></p> <p>Determine if controls are in place to ensure security and continuity of the database used to administer the RVFDAP.</p>	<p>Auditors gained an understanding of processes in place and reviewed documentation regarding database access, authorized users, backup processes, and inclusion in the agency’s</p>

Audit Objective	Methodology
	disaster recovery/business continuity plans.

Controls Assessment Classification

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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 Government Code Chapter 614, Subchapter G
- Texas Administrative Code Title 4, Part 12, Chapter 216
- Texas A&M Forest Service procedures
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Internal Audit is independent per the GAGAS standards for internal auditors.

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