

The Texas A&M University System Internal Audit Department



Monthly Audit Report
January 12, 2022

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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

QATAR - EXPENDITURES

January 12, 2022

**Charlie Hrncir, CPA
Chief Auditor**

Project #20220208



Overall Conclusion

Internal controls over expenditures at Texas A&M University at Qatar are operating as intended and in compliance with applicable laws and policies. Texas A&M University at Qatar had \$67.5 million of expenditures during fiscal year 2021.

Summary Table

Audit Areas	Controls Assessment
Management Fee Revenue	Effective – No Observations
Payroll and Payroll Allowance Transactions	Effective – No Observations
Procurement Card Transactions	Effective – No Observations
Purchase Voucher Transactions	Effective – No Observations
Travel Card/Voucher Transactions	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Management fee revenue - \$8,153,333
- Payroll and payroll allowance transactions - \$35,796,799
- Procurement card transactions - \$1,214,656
- Purchase voucher transactions - \$30,171,148
- Travel card/voucher transactions - \$282,013

The audit period was primarily September 1, 2020 to August 31, 2021. Management fee revenue, payroll expenditures, and payroll allowance expenditures were tested for Texas A&M University at Qatar’s most recently completed fiscal year which was January 1, 2020 to December 31, 2020. Fieldwork was conducted from October 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>Management Fee Revenue</u></p> <p>Determine whether management fee payments received are in compliance with the university’s academic agreement with the Qatar Foundation.</p>	<p>Auditors compared all management fee payments received for calendar year 2020 to the calculated management fee amount in accordance with the university’s academic agreement with the Qatar Foundation.</p>
<p><u>Payroll and Payroll Allowance Transactions</u></p> <p>Determine whether payroll and payroll allowance transactions are reasonable and in compliance with procedures.</p>	<p>Auditors performed data analysis on the entire population of payroll transactions for calendar year 2020 to identify the following subsets of data for further review:</p> <ul style="list-style-type: none"> • Payroll allowances by account • Payroll allowances by expense code

Audit Objective	Methodology
	<ul style="list-style-type: none"> • Top employee payroll amounts • Supplemental compensation amounts <p>Auditors judgmentally selected payroll and payroll allowance transactions from each subset and reviewed supporting documentation and/or obtained further explanation from the client as needed to ensure the appropriateness of the transactions and activities.</p> <p>Auditors judgmentally selected 15 employees with the largest payroll allowances received for each of the five largest payroll allowances paid and reviewed for compliance with applicable payroll allowance requirements.</p>
<p><u>Procurement Card Transactions</u></p> <p>Determine whether procurement card transactions are reasonable and in compliance with procedures.</p>	<p>Auditors performed data analysis on the entire population of procurement card transactions during the audit period to identify the following subsets of data for further review:</p> <ul style="list-style-type: none"> • Procurement card transactions by account • Procurement card transactions by expense code • Purchases exceeding card transaction limits • Procurement cards with largest amounts of purchases • Potential duplicate transactions • Potential split transactions <p>Auditors judgmentally selected procurement card transactions from each subset and reviewed supporting documentation and/or obtained further explanation from the client as needed to</p>

Audit Objective	Methodology
	<p>ensure the appropriateness of the transactions and activities.</p> <p>Auditors randomly selected 30 procurement card transactions and reviewed for compliance with selected procurement card requirements.</p> <p>Auditors reviewed unassigned and outstanding procurement card transactions that were more than 45 days past the transaction posted date for reasonableness.</p>
<p><u>Purchase Voucher Transactions</u></p> <p>Determine whether purchase voucher transactions are reasonable and in compliance with procedures.</p>	<p>Auditors performed data analysis on the entire population of purchase voucher transactions during the audit period to identify the following subsets of data for further review:</p> <ul style="list-style-type: none"> • Purchase vouchers with largest amounts of purchases • Purchase vendors with largest amounts of purchases • Potential duplicate transactions • Potential split transactions <p>Auditors judgmentally selected purchase voucher transactions from each subset and reviewed supporting documentation and/or obtained further explanation from the client as needed to ensure the appropriateness of the transactions and activities.</p> <p>Auditors randomly selected 50 purchase voucher transactions and judgmentally selected an additional 10 purchase voucher transactions related to food purchases and reviewed for compliance with selected purchasing requirements.</p>

Audit Objective	Methodology
<p><u>Travel Card/Voucher Transactions</u></p> <p>Determine whether travel card/voucher transactions are reasonable and in compliance with procedures.</p>	<p>Auditors performed data analysis on the entire population of travel card/voucher transactions during the audit period to identify the following subsets of data for further review:</p> <ul style="list-style-type: none"> • Travel vouchers paid directly to vendors and employees • Travel transactions with largest amounts • Departmental travel cards with largest amounts of purchases • Individual travel cards with largest amounts of purchases • Employee reimbursements with largest amounts <p>Auditors judgmentally selected travel voucher/card transactions from each subset and reviewed supporting documentation and/or obtained further explanation from the client as needed to ensure the appropriateness of the transactions and activities.</p> <p>Auditors randomly selected 15 travel vouchers and reviewed for compliance with selected travel requirements.</p> <p>Auditors reviewed unassigned and outstanding travel card transactions that were more than 60 days past the transaction posted date for reasonableness.</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 University Rules and Procedures
- Agreement to Continue to Operate the Undergraduate and Graduate Programs at Texas A&M University at Qatar
- 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-CORPUS CHRISTI

LEARNING MANAGEMENT SYSTEM

January 12, 2022

**Charlie Hrncir, CPA
Chief Auditor**



Overall Conclusion

Internal controls over the learning management system at Texas A&M University-Corpus Christi are operating as intended and in compliance with applicable laws and policies.

Texas A&M University-Corpus Christi had an undergraduate enrollment of 8,483 as of fall semester 2020. The university contracts with Blackboard to provide its learning management system to students, faculty, and staff using cloud hosting services.

Summary Table

Audit Areas	Controls Assessment
Change Management	Effective - No Observations
High Risk Role Access	Effective - No Observations
New User Access	Effective - No Observations
Password Settings	Effective - No Observations
Privileged User Accounts	Effective - No Observations
Terminated User Access	Effective - No Observations
User Access Review	Effective - No Observations
Vendor Agreement	Effective - No Observations

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls were in place to ensure the confidentiality, integrity, and availability of the learning management system at Texas A&M University-Corpus Christi.

The audit focused on the following areas:

- Change management
- High risk role access
- New user access
- Password settings
- Privileged user accounts
- Terminated user access
- User access review
- Vendor agreement

The audit period was primarily September 1, 2020 to August 31, 2021. Fieldwork was conducted from October 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>Change Management</u> Determine if change management processes and controls are appropriate.	Auditors selected a sample of recent changes to the application and related system to determine whether the process operated as intended and appropriate segregation of duties was used.
<u>High Risk Role Access</u> Determine if controls for high risk role access are in place and appropriate to secure the application.	Auditors determined the roles within the application considered to be higher risk. Auditors determined that access to those roles was appropriate based on position responsibilities.
<u>New User Access</u>	Auditors obtained a list of new users to the application added during the

Audit Objective	Methodology
Determine if controls for new user access and new user training are in place and appropriate to secure the application.	audit period and selected a sample of users in order to determine if documentation supported the access was properly approved.
<p><u>Password Settings</u></p> <p>Determine if controls for password settings are in place and appropriate to secure the application.</p>	Auditors gained an understanding of how application users were authenticating into the hosted environment and obtained documentation of the password settings. Auditors determined if the password settings were compliant with university procedures.
<p><u>Privileged User Accounts</u></p> <p>Determine if controls for privileged user accounts are in place and appropriate to secure the application.</p>	Auditors obtained a list of employees with administrator rights to the application and determined whether this access aligned with vendor agreement expectations and was appropriate based upon job duties.
<p><u>Terminated User Accounts</u></p> <p>Determine if controls for terminated user access are in place and appropriate to secure the application.</p>	Auditors gained an understanding of the process for removing access to the application. For the high risk role access, auditors determined that all active accounts were appropriate.
<p><u>User Access Review</u></p> <p>Determine if controls for the user access review are in place and appropriate to secure the application.</p>	Auditors obtained the most recent user access review and determined whether the review was completed timely and appropriately.
<p><u>Vendor Agreement</u></p> <p>Determine if a vendor agreement is in place for the hosting and management of the learning management system and that it clearly defines responsibilities of each party.</p>	Auditors obtained and reviewed the vendor agreements and inquired of vendor controls reports available. Auditors determined if key processes performed by the vendor were documented in the vendor contract terms and whether appropriate

Audit Objective	Methodology
	reviews and approvals were obtained for the agreement.

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-Corpus Christi University Rules and Standard Administrative Procedures
- Executed agreement between The Texas A&M University System and Blackboard Inc.
- 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

THE TEXAS A&M UNIVERSITY SYSTEM

COMPLIANCE WITH BENEFITS PROPORTIONAL BY FUND REQUIREMENTS – FISCAL YEAR 2020

January 12, 2022

Charlie Hrcir, CPA
Chief Auditor

Project #20220101



Overall Conclusion

The Texas A&M University System members generally comply with provisions in Article IX, Section 6.08 of the General Appropriations Act in fiscal year 2020. The act requires that benefits paid from General Revenue funds be proportional to the salary and wages paid with General Revenue funds.

Summary Table

Audit Areas	Controls Assessment
Benefits Proportional by Fund Report Accuracy	Effective – No Observations
Employee Eligibility for General Revenue Funding	Effective – No Observations
General Revenue Fund Deposits and Transfers	Effective – No Observations

The A&M System received \$234 million from the Legislature for fiscal year 2020 benefit expenses attributable to employees paid on General Revenue funds. The A&M System also received a net amount of \$61 million in General Revenue-Dedicated funds attributable to employees paid on General Revenue-Dedicated funds. General Revenue-Dedicated funds are set aside by law for a particular purpose or entity. These funds consist of Educational and General funds (specifically, tuition and fees) and interest earned on State Treasury deposits. In addition, the A&M System received \$20 million for benefit expenses attributable to employees paid on other appropriated funds. Other appropriated funds include the available university fund, as well as, patient and lab revenues collected by the system members.

Overall, the A&M System received \$17,453 less in General Revenue than was available to them. This is 0.006% of the appropriated benefits received by the A&M System members for the time period reviewed. While members were generally in compliance with the proportionality requirements, the following was noted:

- One member received \$4 in excess General Revenue. The Comptroller’s Office has indicated the \$4 is immaterial and does not require a revised report or repayment to the state.
- One member received \$17,457 less in General Revenue than was available to them. Since the completion of fieldwork, the member has submitted a revised report to the Comptroller’s Office for final approval.

The Texas State Auditor’s Office methodology requires that our audit report disclose the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality.

Detailed Results

The following table compares the total benefits paid from appropriated funds to the benefits allowed to be paid from appropriated funds for fiscal year 2020.

Member Name	Appropriated Benefits Allowed Per State Guidelines	Appropriated Benefits Paid (APS011)	Excess (Deficit) of Appropriated Benefits	%
A&M System Offices	4,276,722	4,276,722	-	0.00%
Texas A&M	112,789,591	112,789,591	-	0.00%
Tarleton	15,505,514	15,505,514	-	0.00%
PVAMU	13,698,514	13,681,057	(17,457)	-0.13%
AgriLife Research	14,651,888	14,651,888	-	0.00%
AgriLife Extension	20,031,130	20,031,130	-	0.00%
TEES	4,665,839	4,665,839	-	0.00%
TEEX	8,714,609	8,714,609	-	0.00%
TAMUG	4,515,378	4,515,378	-	0.00%
TFS	8,862,602	8,862,602	-	0.00%
TTI	2,389,972	2,389,972	-	0.00%
A&M-Corpus Christi	14,341,706	14,341,706	-	0.00%
TAMIU	8,298,796	8,298,796	-	0.00%
Texas A&M-Kingsville	12,608,179	12,608,179	-	0.00%
WTAMU	12,458,116	12,458,116	-	0.00%
TVMDL	3,142,162	3,142,162	-	0.00%
A&M-Commerce*	14,866,582	14,866,582	-	0.00%
TAMUT	4,376,838	4,376,838	-	0.00%
TAMHSC	23,913,961	23,913,961	-	0.00%
A&M-Central Texas	2,503,012	2,503,012	-	0.00%
A&M-San Antonio	6,835,769	6,835,773	4	0.00%
TDEM	1,187,531	1,187,531	-	0.00%
Total A&M System	314,634,411	314,616,958	(17,453)	-0.006%

*Audited by the Texas State Auditor's Office.

Basis of Audit

Objective, Scope, & Methodology

The audit focused on ensuring that A&M System members paid employee benefits on appropriated funds proportional to the source of funds for fiscal year 2020.

The areas audited included:

- Benefits Proportional by Fund Report accuracy
- Employee eligibility for General Revenue funding
- General Revenue Fund deposits and transfers

Fieldwork was conducted from August 2021 to November 2021.

Our audit procedures were consistent with the methodology prescribed by the Texas State Auditor’s Office to comply with Article III, Rider 8 of the General Appropriations Act (87th Legislature). These procedures included the review of the following:

- Accuracy of information and proportional funding calculations included in the Benefits Proportional by Fund Reports submitted to the State Comptroller’s Office
- Eligibility of employee benefits paid with appropriated funds
- Appropriateness of transfers and deposits into members’ General Revenue funds

State entities are required to pay for employee benefits in proportion to their method of finance to ensure that the General Revenue fund is not disproportionately used to fund employee benefits. An entity’s method of finance refers to the sources and amounts authorized to finance certain expenses or appropriations made in the General Appropriations Act and may include General Revenue, General Revenue-Dedicated, federal funds, and other funds. Employee benefits included on the Benefits Proportional by Fund Reports are the state employer match for Social Security, Group Insurance Premiums, Teacher Retirement System, and Optional Retirement Program.

The State Comptroller’s Office developed the Benefits Proportional by Fund Report to provide guidance and a reporting mechanism for state entities to demonstrate benefits proportionality. The report calculates the percentage of total funding for each appropriated fund and then uses those percentages to determine the amount of benefits that should be paid by each appropriated fund.

State entities that have multiple appropriated funds complete the Benefits Proportional by Fund Report annually and submit it to the State Comptroller’s Office on or before November 19. Any adjustments required based on the report are to be made in the Uniform Statewide Accounting System (USAS) to ensure that actual expenses match the calculated proportional benefits.

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:

- The State of Texas *General Appropriations Act for the 2022-2023 Biennium (87th Legislature); Rider 8, page III-46*
- The State of Texas *General Appropriations Act for the 2020-2021 Biennium (86th Legislature); Article IX, Section 6.08, page IX-28*
- Office of the Comptroller of Public Accounts' Fiscal Policies and Procedures
- Texas A&M University System Policies and Regulations
- Texas A&M University System *Best Practices for the APS011 Benefits Proportional by Fund Beginning in Fiscal Year 2014 (Edited July 2020)*
- Texas A&M University System members' rules and 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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