

The Texas A&M University System Internal Audit Department



Monthly Audit Report
June 15, 2022

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THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

CASH MANAGEMENT

June 15, 2022

**Charlie Hrncir, CPA
Chief Auditor**



Overall Conclusion

Internal controls over cash management at Texas 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 monitoring past due temporary working funds.

During fiscal year 2021, the university had 14 departments with permanent working funds totaling \$406,840 and issued approximately 70 temporary working funds totaling \$524,972.

Summary Table

Audit Areas	Controls Assessment
Temporary Working Funds – Monitoring	Needs Some Improvement
Fund Needs Assessment	Effective – No Observations
Fund Security	Effective – No Observations
Permanent Working Funds - Monitoring	Effective – No Observations
Permanent Working Funds - Training	Effective – No Observations
Reconciliations	Effective – No Observations

Management concurred with the audit recommendation and indicated that implementation has been completed as of April 30, 2022.

Detailed Results

Temporary Working Funds - Monitoring

Monitoring processes for past due temporary working funds require improvement. For three of five past due temporary working funds reviewed, past due actions did not occur timely. Financial Management Operations (FMO) has established timelines for past due actions such as direct contact, taxation, and state holds. However, due to position vacancies these actions did not occur timely during the audit period. As past due working funds continue to age, the risk is increased that funds are not returned or supporting documentation for use of funds is not retained. Timely past due actions can lower this risk.

Recommendation

Improve monitoring processes to ensure actions for past due temporary working funds occur in accordance with established procedures and timelines.

Management's Response

FMO has completed the revision and update of the escalation and monitoring procedures as well as training of the recently hired employee and a back-up FTE. As of April 30, 2022, FMO is in full compliance with these procedures pertaining to the collection process for advances/working funds.

Target Date: Completed

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Temporary working funds –monitoring
- Fund needs assessment
- Fund security
- Permanent working funds - monitoring
- Permanent working funds - training
- Reconciliations

The audit period was primarily September 1, 2020 to August 31, 2021. Fieldwork was conducted from February 2022 to April 2022.

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

Audit Objective	Methodology
<u>Temporary Working Funds – Monitoring</u> Determine if temporary working funds are properly approved and monitored for timely clearing.	Auditors judgmentally selected a sample of five past due temporary working funds and reviewed documentation for the approval process and past due actions in accordance with university procedures.
<u>Fund Needs Assessment</u> Determine if the selected department has assessed the need for their working fund.	For the largest cash working fund, auditors gained an understanding of the department’s assessments regarding the amount of cash needed and use of alternative payment methods.

Audit Objective	Methodology
<p><u>Fund Security</u></p> <p>Determine if security of cash working funds is adequate and aligns with written procedures.</p>	<p>Auditors judgmentally selected a sample of four permanent cash working funds. Onsite visits were conducted by auditors to assess the security of working funds and alignment with written procedures.</p>
<p><u>Permanent Working Funds - Monitoring</u></p> <p>Determine if established monitoring processes ensure permanent working funds are properly accounted for and comply with system regulations and university procedures.</p>	<p>Auditors judgmentally selected a sample of nine permanent working funds and reviewed documentation of annual verification letters, surprise cash counts, reconciliations, department cash handling procedures, and other related information.</p>
<p><u>Permanent Working Funds – Training</u></p> <p>Determine if permanent working fund custodians have completed cash handling training in accordance with university procedures.</p>	<p>For all permanent working fund custodians, TrainTraQ records were reviewed for completion of cash handling training within two years.</p>
<p><u>Reconciliations</u></p> <p>Determine if cash-related reconciliations are performed timely and reconciling items are monitored and cleared timely.</p>	<p>Auditors judgmentally selected a sample of 10 cash-related account reconciliations and reviewed for timely completion, completeness, and reasonableness of outstanding items.</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 Standard Administrative 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.

Audit Team

Amanda Dotson, CPA, Director
Michelle McMillin, CPA, Senior Manager
Lindsey Thomson, CPA
Lisa Cauvel

Distribution List

Dr. M. Katherine Banks, President
Dr. Timothy Scott, Interim Provost and Executive Vice President
Mr. Greg Hartman, Senior Vice President and Chief Operations Officer
Mr. John Crawford, Vice President for Finance and Chief Financial Officer
Mr. Kevin McGinnis, Vice President and Chief Compliance Officer
Mr. John McCall, Associate Vice President for Finance and Controller
Ms. Verna Fritsche, Associate Controller, University Accounting Services
Mr. Clint Merritt, Executive Director, Financial Management Operations
Mr. Henry Judah, Associate Vice President for University Risk and Compliance
Ms. Tammy Hoskens, Compliance Officer III



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

PRAIRIE VIEW A&M UNIVERSITY

**CONSTRUCTION PROJECT REPORTING
TO THE TEXAS HIGHER EDUCATION
COORDINATING BOARD**

June 15, 2022

**Charlie Hrncir, CPA
Chief Auditor**

Project #20220111



Overall Conclusion

Prairie View A&M University is in compliance with applicable Texas Higher Education Coordinating Board (THECB) construction project reporting requirements.

Summary Table

Audit Areas	Controls Assessment
Development Projects	Effective – No Observations
Improved Real Property Acquisitions	Not Applicable
Energy Saving Performance Contracts	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

The objective of this audit was to determine if development projects, improved real property acquisitions, and energy savings projects subject to the THECB requirements complied with approval, application, or reporting requirements as applicable.

The audit focused on the following areas:

- Development projects
- Improved real property acquisitions
- Energy saving performance contracts

The audit period was primarily January 1, 2017 through December 31, 2021. Fieldwork was conducted from February 2022 to April 2022.

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

Audit Objective	Methodology
<p><u>Development Projects</u></p> <p>Determine whether construction projects complied with THECB requirements.</p>	<p>Auditors reviewed the population of new construction, repair, and renovation projects for the audit period and selected all three projects subject to THECB requirements for testing. Audit procedures were performed to verify that Texas A&M University System Board of Regents approval was obtained, an application for the project was submitted to the THECB, tracking forms were submitted to the THECB as applicable, and the THECB database was updated if the project was completed.</p>
<p><u>Improved Real Property Acquisitions</u></p> <p>Determine whether improved real property acquisitions containing Education and General space complied with THECB requirements.</p>	<p>Auditors reviewed the population of real property acquisitions for the audit period and determined no acquisitions were subject to the THECB requirements.</p>
<p><u>Energy Saving Performance Contracts</u></p> <p>Determine if energy savings contracts obtained required THECB approval.</p>	<p>The population of one contract was selected for testing. Auditors obtained documentation of approval.</p>

Controls Assessment Classification

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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.

Criteria

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

- Texas A&M University System Policies and Regulations
- Texas Administrative Code Title 19, Part 1, Chapter 17
- Texas Higher Education Board’s 2015 Facilities Audit Protocol
- 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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Distribution List

Prairie View A&M University

Dr. Ruth Simmons, President
Dr. Cynthia Carter-Horn, Senior Vice President of Business Affairs and Chief Financial Officer
Ms. Yvonne Bryant, Director, Campus Planning and Space Management
Ms. Whitney Glenz, Compliance Officer III and Public Information Officer

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Mr. Clint Cooper, Executive Director, System Real Estate
Mr. Brett McCully, Chief Facilities Officer
Mr. James Davidson, Manager, Area Control, Facilities Planning and Construction
Ms. Janet Gordon, System Ethics and Compliance Officer