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<td>Texas A&amp;M Forest Service</td>
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<td>Financial Management Services</td>
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TEXAS A&M FOREST SERVICE

FINANCIAL MANAGEMENT SERVICES

September 13, 2023

Charlie Hrncir, CPA
Chief Auditor
Overall Conclusion

Internal controls over financial management services at Texas A&M Forest Service (TAMFS) are operating as intended and in compliance with applicable laws and policies with the exception of travel card transaction processing.

Operating expenses for fiscal year 2022 totaled approximately $221,975,850.

Summary Table

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<th>Audit Areas</th>
<th>Controls Assessment</th>
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<td>Travel Cards</td>
<td>Needs Significant Improvement</td>
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<tr>
<td>Account Reconciliations</td>
<td>Effective – No Observations</td>
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<td>Cardholder Training</td>
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<td>Procurement Cards</td>
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<td>Vouchers</td>
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Management concurred with the audit recommendation and indicated that implementation will occur by the end of February 2024.
Detailed Results

Travel Card Transaction Processing

Significant improvement is needed to ensure travel card transactions are submitted and processed timely. Thirty-three of 45 (73%) travel transactions tested were not processed timely in accordance with agency guidelines. The vouchers including these transaction exceptions totaled $385,572. The following were noted:

- For 15 of the 33 exceptions, the cardholder did not submit the expense documentation timely, ranging from 21 to 241 days past the statement date.
- For 15 of the 33 exceptions, the voucher was not prepared and approved timely, ranging from 32 to 229 days past the expense document submission date.
- For 15 of the 33 exceptions, the Budgets and Accounting Department did not approve the voucher request timely, ranging from 33 to 232 days past the date received.

Agency Administrative Procedure 30.06, Travel Cards, indicates that each cardholder receives a monthly statement of transactions posted to the cardholder’s account. Upon receipt of the statement, the cardholder has ten days to review, approve, and submit the billing statement, transaction log, and receipts to the voucher preparer. The voucher preparer has 20 days to prepare a credit card voucher and forward it to the department head for review, approval, and submission to the Budgets and Accounting Department. Overall, the approved credit card voucher and supporting documentation is required to be submitted to the Budgets and Accounting Department for processing within 40 days of receiving the monthly statement. Noncompliance with agency procedures may result in revocation of cardholder privileges. Additional disciplinary action may be taken by the supervisor in consultation with the human resources manager.

Management indicated that due to unfilled staff positions and turnover, travel card expense submissions and subsequent processing were delayed. Due to these issues, the agency’s accounts payable office prioritized travel reimbursements to employees and vouchers to external parties over travel card transaction processing. The travel card provider account statement is paid in full on a monthly basis and the transaction vouchers processed internally are primarily a process of allocating expenditures to correct accounts.
Without timely submission and processing of travel card expense documentation there is an increased risk of inappropriate or unallowable travel card purchases remaining undetected.

**Recommendation**

Improve internal controls to ensure travel card expense documentation and vouchers are submitted timely in accordance with the agency’s procedures. Review agency travel expense processes to identify potential efficiencies in the submission and approval process.

**Management’s Response**

We agree with the auditors’ recommendations. We have made improvements subsequent to the audit period and are continuing efforts to further improve. We expect the corrective actions to be fully implemented and operational by February 29, 2024.
Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over financial management services 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:

- Travel cards
- Account reconciliations
- Cardholder training
- Procurement cards
- Vouchers

The audit period was primarily January 1, 2022 to December 31, 2022. Fieldwork was conducted from May 2023 to August 2023.

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

<table>
<thead>
<tr>
<th>Audit Objective</th>
<th>Methodology</th>
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<tr>
<td><strong>Travel Cards</strong></td>
<td>Auditors performed data analysis on travel card transactions for all travel cardholders during the audit period and analyzed results for reasonableness. Auditors judgmentally selected a sample of 45 travel card transactions and reviewed supporting documentation for compliance with state and agency travel requirements.</td>
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<tr>
<td>Determine whether travel transactions are reasonable and in compliance with procedures.</td>
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<tr>
<td><strong>Account Reconciliations</strong></td>
<td>Auditors selected a nonstatistical sample of eight bank and clearing account reconciliations to test timeliness and reasonableness of outstanding items for the month ended November 2022. Auditors reviewed the supporting documentation for each reconciliation for completeness, approval, agreement with supporting</td>
</tr>
<tr>
<td>Audit Objective</td>
<td>Methodology</td>
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<tr>
<td>---------------------------------</td>
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</tr>
<tr>
<td></td>
<td>documentation, timeliness of preparation, and clearing of outstanding items.</td>
</tr>
<tr>
<td><strong>Credit Card Training</strong></td>
<td>Auditors tested the employees issued a procurement or travel card during the audit period to determine if each completed the required cardholder training.</td>
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<tr>
<td></td>
<td>Additionally, auditors tested whether the department approvers of the selected procurement and travel card transactions completed required training.</td>
</tr>
<tr>
<td><strong>Procurement Cards</strong></td>
<td>Auditors performed data analysis on procurement card transactions for all cardholders during the audit period and analyzed results for reasonableness.</td>
</tr>
<tr>
<td></td>
<td>Auditors judgmentally selected a sample of 45 procurement card transactions and reviewed detailed supporting documentation and expense reports for compliance with state and agency procurement card requirements.</td>
</tr>
<tr>
<td><strong>Vouchers</strong></td>
<td>Auditors performed data analysis on vouchers processed during the audit period and analyzed results for reasonableness.</td>
</tr>
<tr>
<td></td>
<td>Auditors judgmentally selected a nonstatistical sample of 30 vouchers and reviewed supporting documentation for compliance with state and agency purchasing procedures.</td>
</tr>
</tbody>
</table>
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 Forest Service 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.
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