

The Texas A&M University System Internal Audit Department



Monthly Audit Report
October 16, 2024

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THE TEXAS A&M UNIVERSITY SYSTEM

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FINANCIAL MANAGEMENT SERVICES

October 16, 2024

**Charlie Hrncir, CPA
Chief Auditor**



Overall Conclusion

Internal controls over financial management services at Texas A&M University-Texarkana are operating as intended and in compliance with applicable laws and policies. An opportunity for improvement was noted in the area of payment card approver training.

The university had \$55.2 million in operating expenses during fiscal year 2023 and 87 financial accounts that were being reconciled at the time of audit testing. In addition, there were 67 active payment card accounts with transactions totaling \$564,000 during the audit period.

Summary Table

Audit Areas	Controls Assessment
Payment Card - Approver Training	Needs Some Improvement
Account Reconciliations	Effective – No Observations
Payment Card - Administration	Effective – No Observations
Payment Card - Business Meal and Alcohol Purchases	Effective – No Observations
Payment Card - Cardholder Training	Effective – No Observations
Payment Card - Gift Card Purchases	Effective – No Observations
Payment Card - Online Payment System Purchases	Effective – No Observations
Payment Card - Split Purchases	Effective – No Observations

Management concurred with the audit recommendations and indicated that implementation will occur by the end of April 2025.

Detailed Results

Payment Card – Approver Training

Improvement is needed to ensure employees reviewing and approving payment card transactions complete required approver training. Twenty-seven of 53 (51%) employees responsible for reviewing and approving payment card transactions did not complete the required approver training by the stated due date. Twenty-two of these employees had not been assigned the training due to an issue with the auto assignment feature within the university’s accounting system. Four employees were assigned the training and had not completed it, and one employee completed the training sixteen days after the stated due date.

Texas A&M System Regulation 21.01.03 *Disbursement of Funds* states that approvers of documents must attend an approver training class every two years to educate and remind the approvers of their responsibilities. Without training there is an increased risk that payment card transactions are not in compliance with university requirements.

Recommendation

Ensure approvers identified above complete required approver training. Increase monitoring of the assignment and completion of approver training by employees responsible for reviewing and approving payment card transactions. Continue working to resolve the issue with the auto training assignment feature within the university’s accounting system.

Management’s Response

Texas A&M University–Texarkana has reviewed the auditor’s recommendation regarding the completion of the disbursement approver training and has requested that the training be manually assigned to the applicable additional TAMUT employees who approve disbursements. The training has been assigned and those employees have been given one month to complete the training. Management will monitor the training assignment to ensure all employees complete it within our scheduled time frame. Additionally, we have reviewed the duties of our more recently hired employees and have verified that the auto-assign feature is functioning properly to assign the disbursement approver training as applicable. We will continue to monitor the assignment and completion of approver training by employees responsible for reviewing and

approving payment cards and other disbursement transactions to ensure the assignment feature is working properly and as intended.

Estimated implementation date - April 15, 2025.

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Payment card - approver training
- Account reconciliations
- Payment card - administration
- Payment card - business meal and alcohol purchases
- Payment card – cardholder training
- Payment card - gift card purchases
- Payment card - online payment system purchases
- Payment card - split purchases

The audit period was primarily from May 1, 2023 to April 30, 2024. Fieldwork was conducted from June 2024 to September 2024.

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

Audit Objective	Methodology
<u>Payment Card - Approver Training</u> Determine if payment card approvers completed training in accordance with requirements.	For the population of employees responsible for reviewing and approving payment card transactions, the auditor reviewed training records to determine if payment card approver training had been completed as required.
<u>Account Reconciliations</u> Determine if account reconciliations are completed timely and outstanding items are being properly addressed.	Auditors used professional judgment to select a nonstatistical sample of 10 account reconciliations based upon magnitude and risk. Account reconciliations and supporting documentation were obtained and reviewed for accuracy and

Audit Objective	Methodology
	completeness, timely completion, proper approvals, and resolution of outstanding items.
<p><u>Payment Card – Administration</u></p> <p>Determine if payment cardholders completed required forms in accordance with requirements and payment card accounts have been closed for terminated employees.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 20 payment cardholders and reviewed documentation to determine if required forms had been completed as required. For the population of terminated employees that had payment cards, account information was reviewed to confirm the cardholder’s account had been closed.</p>
<p><u>Payment Card - Business Meal and Alcohol Purchases</u></p> <p>Determine if business meal and alcohol purchases are properly documented and approved.</p>	<p>Auditors selected all business meal and alcohol purchases made using a payment card and reviewed supporting documentation and approvals for compliance with requirements.</p>
<p><u>Payment Card - Cardholder Training</u></p> <p>Determine if payment cardholders completed training in accordance with requirements.</p>	<p>For the population of cardholders, the auditor reviewed training records to determine if payment card training had been completed as required.</p>
<p><u>Payment Card - Gift Card Purchases</u></p> <p>Determine if gift card purchases are properly documented and approved.</p>	<p>Auditors selected all gift card purchases made using a payment card and reviewed supporting documentation and approvals for compliance with requirements.</p>
<p><u>Payment Card - Online Payment System Purchases</u></p> <p>Determine if transactions paid through select online payment systems are in compliance with purchasing requirements.</p>	<p>Auditors selected all payment card purchases made using online payment systems such as PayPal and reviewed supporting documentation for compliance with purchasing requirements.</p>

Audit Objective	Methodology
<p><u>Payment Card - Split Purchases</u></p> <p>Determine if purchases have been split to bypass purchasing limits.</p>	<p>Auditors identified all payment card purchases made by a cardholder from the same vendor on the same day and reviewed supporting documentation to verify the purchase was not split into multiple purchases to bypass purchasing limits.</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-Texarkana Rules and Standard Administrative Procedures
- Texas A&M University-Texarkana Procurement Card Program Cardholder Guide
- 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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Ms. Jill Whittington, Director of Risk and Compliance



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

PRAIRIE VIEW A&M UNIVERSITY

TUITION AND FEES

October 16, 2024

Charlie Hrncir, CPA
Chief Auditor



Overall Conclusion

Internal controls over tuition and fees at Prairie View 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 the Student Fee Advisory Committee.

The university had 9,508 students enrolled in the fall semester of 2023. Fiscal year 2023 net tuition and fee revenue was approximately \$58.6 million which accounted for 45% of operating revenue.

Summary Table

Audit Areas	Controls Assessment
Student Fee Advisory Committee	Needs Some Improvement
Student Billing	Effective - No Observations
Student Receivables	Effective - No Observations
Tuition Set-Asides	Effective - No Observations

Management concurred with the audit recommendations and indicated that implementation will occur by the end of May 2025.

Detailed Results

Student Fee Advisory Committee

Improvement is needed to ensure the Student Fee Advisory Committee is compliant with statutory requirements. Review of available committee documentation identified the following:

- The committee included four student members instead of five student members, and the student terms differed from the statutory requirements.
- Committee meeting notices were not published 72 hours prior to the meeting on a university website or in the student newspaper with the date, hour, place, and subject of the meeting.
- The amounts and expenditures for all required fees were not reviewed by the committee.
- The committee did not meet with appropriate administrators or submit a written report with fee recommendations to the president for review before submission to the Board of Regents.

In addition, formal meeting minutes were not maintained to demonstrate a quorum was present and that all required student service fees were addressed.

The university does not have procedures outlining the committee's responsibilities, increasing the risk that the university is noncompliant with the requirements of the Texas Education Code. Texas Education Code Chapter 54 *Tuition and Fees*, Subchapter A, *General Provisions*, sections 54.5032 and 54.5033 requires a committee to advise the Board of Regents and institution on the type, amount, and expenditure of compulsory fees for student services including student health and medical services, student center facilities, and recreational sports fees. The statute also establishes requirements for committee composition, meeting attendance, notice of meetings, and communication of committee recommendations.

Recommendation

Enhance university procedures and monitoring processes to comply with statutory requirements for the Student Fee Advisory Committee. Ensure that committee members and support staff are aware of the procedures and statutory requirements.

Management's Response

Management agrees with the recommendation.

University procedures and monitoring processes will be enhanced to comply with the statutory requirements for the Student Fee Advisory Committee.

Timeline for completion – May 30, 2025

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over tuition and fees processes are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Student Fee Advisory Committee
- Student billing
- Student receivables
- Tuition set-asides

The audit period was primarily January 1, 2023 through February 29, 2024. Fieldwork was conducted from May 2024 to August 2024.

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

Audit Objective	Methodology
<u>Student Fee Advisory Committee</u> Determine whether the university's Student Fee Advisory Committee is operating in compliance with required guidelines.	Auditors gained an understanding of Student Fee Advisory Committee processes. Auditors reviewed documentation to determine if the committee complied with Texas Education Code Chapter 54 <i>Tuition and Fees, Subchapter A, General Provisions</i> .
<u>Student Billing</u> Determine whether students are being billed accurately and completely pursuant to applicant tuition and fee plans.	Auditors judgmentally selected a nonstatistical sample of students from a variety of billing cohorts. Student billing statements were reviewed to determine if charges agreed to the applicable tuition and fee plan.
<u>Student Receivables</u>	Auditors judgmentally selected a nonstatistical sample of past due

Audit Objective	Methodology
Determine whether past due and demand letters are sent timely, and if accounts were sent to collections timely.	student accounts. Auditors reviewed documentation of past due and demand letters, university holds, state warrant holds, and timing of referral to a collection agency for compliance with university and system regulations.
<p><u>Tuition Set-Asides</u></p> <p>Determine whether tuition set-asides are accurate, comply with Texas Education Code requirements, and if funds are being monitored to transfer to the Texas Higher Education Coordinating Board (THECB), as applicable.</p>	Auditors reviewed set-aside calculations for mathematical accuracy, agreed to supporting documentation, and confirmed amounts in applicable aid assistance accounts. Auditors reviewed the year-end assessment used to determine if set-aside funds are required to be transferred to the THECB for accuracy.

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- Prairie View A&M University Rules and Procedures
- Texas Education Code
- Other sound administrative practices

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