



Current Audit Issues

**Texas A&M University
Council of Senior Business Administrators
Winter 2006 Workshop**

January 10, 2006



Current Audit Environment

- Changed significantly due to events in the public sector
- System Board of Regents
 - Audit committee
- President and Provost
 - Audit results
 - Implementation of audit recommendations
 - Audit tracking forms (Office of Policy Implementation and Compliance)



Who can Audit?

- The University may be audited/reviewed by several different organizations
 - State Auditor's Office
 - Other State Agencies (State Comptroller's Office)
 - Federal Agencies
 - Public Accountants – CPA Firms
 - Contractors, Grantors, and Other Sponsors
 - System Internal Audit Department



Objectives of an Internal Audit

- Evaluate the organization's financial and management controls. To determine:
 - Reliability and integrity of management, financial and operating information;
 - Efficiency and effectiveness of operations;
 - Safeguarding of assets;
 - Compliance with policies, regulations, procedures, laws, contracts, grants, etc.; and
 - Attainment of objectives and goals.



System Internal Audit Fiscal Year 2006 Audit Plan

- Aviation Services
- Children's Center
- University Police Department
- Department of Recreational Sports
- Student Financial Services
- Accounts Payable Operations
- NCAA Athletic Rules Compliance Program
- Use and Administration of Procurement Cards

- Surprise Cash Counts



Common Audit Results

- Human Resources
- Revenues
- Expenditures
- Contract Administration
- Equipment Inventory
- Information Technology
- Student Travel
- Performance Measurement



Human Resources

- Performance Evaluations
 - Evaluations not completed or done untimely.
 - Evaluation completed was not an approved TAMU Human Resources Performance Evaluation.
 - High and low ratings not explained.
 - Performance objectives and/or professional development needs not completed.
 - Position descriptions not reviewed as part of the evaluation process.
 - Not signed by supervisor and/or employee.
 - For new hires, no probationary evaluation within first four months of employment.



Human Resources

- Position Descriptions
 - No position description or outdated.
 - Not signed by employee and supervisor.

- Hiring Files
 - No hiring matrix to document selection/interview scores for each applicant.
 - No documentation of interview questions and answers.
 - No documentation of verification of applicant references.
 - No offer letter in personnel file.



Human Resources

- Training

- For new hires, discrimination, sexual harassment, and ethics training not completed within first 30 days of employment.
- EEO supplemental training not completed by all employees.
- Supervisors not trained on performance evaluation and hiring processes.

- Other Requirements

- Workplace notices not posted as required by federal and state laws.
- Employees not compliant with outside employment disclosure and approval requirements.
- Communication allowance forms not retained in employee's personnel file.



Revenues

■ Cash Handling

- Minimize funds collected by using SIMS, Aggie Bucks, credit cards, e-commerce, etc.
- Lack of segregation of duties between custody of funds and recordkeeping (i.e., same person who has custody of funds also reconciles the fiscal account).
- Lack of (or ineffective) reconciliation of expected sales/fees to funds deposited.
- Reconciliations had no evidence of review.



Revenues

■ Cash Handling (cont'd)

- Non-compliance with System Regulation 21.01.02 Receipt, Custody and Deposit of Revenues:
 - Receipts not issued.
 - Receipts not filled out completely.
 - Checks not restrictively endorsed immediately upon receipt.
 - Funds not stored in a secured location.
 - Keys not secured and/or limited to authorized personnel.
 - Keys/combinations to locks not changed periodically and whenever personnel change.
 - Access to funds not limited to two individuals.
 - Transfer of funds not documented to maintain individual accountability.
 - Funds not deposited timely.



Revenues

- Accounts Receivable
 - Approval not obtained to extend credit.
 - Employees responsible for accounts receivable process not adequately trained.
 - Lack of segregation of duties between custody of funds and recordkeeping (i.e., same person who has custody of funds also has access to post payments to accounts receivable system).
 - Receivable balances not tracked.
 - Lack of (or ineffective) collection procedures on past due balances.
 - Approval not obtained to write off uncollectible accounts.
 - Accounts receivable balances not reported to FMO at fiscal year-end.



Expenditures

■ Procurement Cards

- No periodic review to evaluate procurement card usage to determine if:
 - Cards need to be cancelled (i.e., unactivated or infrequently used cards);
 - Additional cards are needed; and/or
 - Credit and/or transaction limits need adjustment.
- Purchasing Card Charges/Usage forms not completed when procurement cards are used by more than one individual.
- No itemized invoice/receipt for each purchase.
- Unacceptable purchases (i.e., fuel in an A&M vehicle).



Expenditures

- Procurement Cards (cont'd)
 - Incomplete procurement card internal order transaction logs.
 - Logs completed after monthly statements received.
 - No independent review of original receipts, transaction logs, and credit card statements.
 - Monthly reconciliation of cardholder statements to transaction logs not dated.
 - Transactions not reallocated (or incorrectly reallocated) from their temporary holding category to the appropriate expense object code.
 - Employees not trained on the use of Pathway Net and specific requirements and responsibilities of procurement card purchasing.



Expenditures

- Vouchers
 - Not paid within 30 days.
 - Duplicate payments.

- Purchasing Services
 - Not utilizing Purchasing Services when acquisition of goods or services exceed \$5,000 in a fiscal year.
 - Splitting purchases to avoid the bidding process.

- Payroll
 - Timesheets not submitted timely.
 - Employees not on direct deposit and/or receiving electronic earnings statement.
 - Terminations of cause not coded accurately on Form 500 or equivalent form.



Contract Administration

- No contract for services provided by TAMU.
- Contracts did not go through the proper approval process.
- Contracts approved after the services have been provided.
- Rates charged for services did not agree to contracted rates.
- Ineffective procedures in place to monitor compliance with contract/grant provisions.



Equipment Inventory

- Items not tagged or permanently marked with an TAMU inventory number.
- Incorrect location recorded on FAMIS.
- Incorrect description recorded on FAMIS.
- Employees not trained to fulfill their inventory responsibilities.



Information Technology

- Risk Assessment/Business Continuity Plan
 - No (or an inaccurate) annual risk assessment of information resources (ISSAC).
 - No written business continuity plan.
 - Plan does not fully address all TAC 202 requirements.
 - Plan not updated and tested on an annual basis.
- Server Security and Backups
 - Access to servers not limited to authorized personnel.
 - Backups not kept in a secure off-site location.
 - Backups not tested on a periodic basis.



Information Technology

- User Management
 - No supervisor and data owner documented approvals obtained prior to granting access to computer resources.
 - Not all users of critical applications are current employees whose job duties require access to those applications.
 - User accounts are not revoked after a specified period of inactivity (i.e., four months).
 - User accounts are not deactivated after repeated unsuccessful login attempts.
 - Users not required to sign a responsibility statement.
 - Users not required to be trained on security awareness.



Information Technology

- Password policies are not enforced to ensure:
 - Individual logon IDs and passwords.
 - All accounts on servers have passwords.
 - Passwords be at least eight characters long.
 - To the extent possible, passwords include a combination of uppercase and lowercase letters, numbers, and special characters.
 - Passwords differ from the user names on the accounts.
 - Passwords expire after 90 days.
 - An acceptable period of time for passwords to be maintained in history to prevent their reuse.



Student Travel

- Written notification of student travel not provided to the University's Critical Incident Response Team (CIRT) .
- Student waiver and release signatures not obtained prior to travel.
- Employees not trained on student travel policies and procedures.



Performance Measurement

- No formal measures to assist in monitoring the progress or performance of operations and employees at all unit levels.
- Performance measures do not address the unit's critical success factors.
- Performance measures are not communicated to employees.
- Actual performance measures are not periodically compared to those expected, implementing changes as needed.



Contact Information

- **System Internal Audit Department**
 - Telephone: 458-7100
 - Fraud, Waste, and Abuse Hotline: (888) 501-3850

 - Website: <http://sago.tamu.edu/iaudit>

- **University Risk and Compliance**
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Discussion

- Any questions?