

# The Texas A&M University System Internal Audit Department



Monthly Audit Report  
April 16, 2025

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THE TEXAS A&M UNIVERSITY SYSTEM

# **TEXAS A&M ENGINEERING EXPERIMENT STATION**

## **CENTERS AND INSTITUTES**

**April 16, 2025**

**Amanda Dotson, CPA  
Chief Auditor**



## Overall Conclusion

Internal controls over centers and institutes at Texas A&M Engineering Experiment Station (TEES) are operating as intended and in compliance with applicable laws and policies. Opportunities for improvement were noted in the areas of quarterly reports and required disclosures.

TEES manages 24 centers and institutes with over 300 faculty. The following centers and institutes were selected for testing:

- Energy Systems Laboratory (ESYL)
- Mary Kay O'Connor Process Safety Center (MKOC)
- Nuclear Engineering and Science Center (NESC)
- Texas A&M Center for Applied Technology (TCAT)
- Texas A&M Energy Institute (ENGY)

### Summary Table

Audit Areas	Controls Assessment
Quarterly Reports	Needs Some Improvement
Required Disclosures	Needs Some Improvement
Contracts and Agreements	Effective – No Observations
Governance	Effective – No Observations
Financial Reporting	Effective – No Observations
Required Training	Effective – No Observations

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

## Detailed Results

### 1. Quarterly Reports

**Improvement is needed to ensure quarterly reports are completed by each center and institute.** Two of 5 (40%) centers/institutes tested did not complete quarterly reports providing operational and financial information. TEES Standard Administrative Procedure 11.02.99.E0.01, *TEES Centers and Institutes*, states that the director of each center or institute shall submit a quarterly report in the specified format. The reports help management monitor for major changes and ensure operations and initiatives align with the expectations of agency leadership. The reports also ensure the centers and institutes are financially healthy and performing as expected.

The standard administrative procedure was updated in fiscal year 2024 to include the quarterly report requirement. Management is working with leadership of the centers and institutes to understand the new requirements and expectations.

#### Recommendation

Implement monitoring processes to ensure quarterly reports are completed timely for each center and institute. Clearly communicate to agency leadership when the requirement is not met.

#### Management's Response

*Corrective Action:* The reporting process will be restructured to enhance department oversight and improve center accountability. Monitoring of quarterly reports will include a thorough analysis of templated information, verifying completeness and accuracy. For center reports not completed in a timely manner, Research Services will escalate outstanding reporting requirements to TEES leadership for timely resolution.

*Position Responsible:* Assistant Director, Research Services

*Implementation Date:* December 31, 2025

### 2. Required Disclosures

**Improvement is needed to ensure employees involved with research projects are consistently completing required disclosures.** Sixteen employees tested for training were determined to be affiliated with a research project and

thus required to complete annual disclosures. Faculty and staff required to complete the disclosures are flagged in the research system. Three of the 16 (18%) employees had not completed the disclosures, because the requirement was not flagged in the system.

A commitment to conducting ethical research includes ensuring research activities are objective and free from bias and influence that may result from financial conflicts of interest. TEES Rule 15.01.03.E1, *Financial Conflicts of Interest in Sponsored Research*, requires each investigator to submit a financial disclosure statement. The agency utilizes one employee disclosure system for the annual disclosure that includes financial conflicts of interest, external employment, and nepotism. Previous agency communication indicated that all faculty and staff would complete the disclosures. However, the employee disclosure system is not programmed to automatically apply this requirement to individuals not assigned to a research project.

#### Recommendation

Implement monitoring processes to ensure employees affiliated with research projects complete required annual disclosures. Revise current written procedures to clarify which agency personnel are required to complete disclosures.

#### Management's Response

*Corrective Action:* Working with Sponsored Research Services, Research Compliance will 1) update internal procedures to better identify individuals that meet the investigator definition and provide clarification to those identified regarding mandatory disclosures, 2) integrate disclosure requirements into onboarding of new employees engaged in research and reinforce annual disclosure completion with notifications/reminders, and 3) enhance monitoring of disclosure completion through oversight and exception reports.

*Position Responsible:* Director, Research Compliance

*Implementation Date:* December 31, 2025

# Basis of Audit

## Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over centers and institutes at Texas A&M Engineering Experiment Station are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Quarterly reports
- Required disclosures
- Contracts and agreements
- Governance
- Financial reporting
- Required training

The audit period was primarily September 1, 2023 to August 31, 2024. Fieldwork was conducted from October 2024 to February 2025. The following four centers and one institute were selected for audit testing using professional judgment:

- Energy Systems Laboratory (ESYL)
- Mary Kay O'Connor Process Safety Center (MKOC)
- Nuclear Engineering and Science Center (NESC)
- Texas A&M Center for Applied Technology (TCAT)
- Texas A&M Energy Institute (ENGY)

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

Audit Objective	Methodology
<u>Quarterly Reports</u>  Determine whether quarterly reporting processes and controls are in place and operating as intended.	For the selected centers and institutes, auditors obtained a copy of the quarterly reports submitted during the audit period and reviewed the reports for reasonableness, completeness, and timely completion.
<u>Required Disclosures</u>	For each selected center and institute, auditors used professional judgment to select a nonstatistical sample of active

Audit Objective	Methodology
Determine if required disclosures are being completed by center and institute personnel.	employees affiliated with research projects. Auditors reviewed records from the disclosure system to determine if they had been completed timely.
<u>Contracts and Agreements</u>  Determine whether contracts and agreements align with the center and institute mission and are accurately reported in financial reports.	For each selected center and institute, auditors selected a nonstatistical sample of contracts and agreements. Auditors reviewed the selected contracts to determine if they reasonably align with the mission of the center or institute.  Auditors also determined if the financial impact of selected contracts was accurately reflected on the financial reports.
<u>Governance</u>  Determine whether centers and institutes have governance and advisory structures in place and if they are compliant with requirements for periodic reviews.	For the selected centers and institutes, auditors reviewed the documentation for the creation of each center and institute to gain an understanding of the original function, focus, and advisory structure. Auditors also reviewed the Board of Regents minute orders to ensure the centers and institutes were formally approved. Auditors reviewed the most recent management review and determined if the review is in compliance with System and agency requirements.
<u>Financial Reporting</u>  Determine whether financial reporting processes and controls are in place and operating as intended.	For the selected centers and institutes, auditors reviewed financial budgets and reports to gain an understanding of financial risks, financial position, opportunities, and commitments.

Audit Objective	Methodology
<u>Required Training</u>  Determine if required training is being completed by center and institute personnel.	For each selected center and institute, auditors used professional judgment to select a nonstatistical sample of active employees. Auditors reviewed employee training records to determine if required training had been completed timely.

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 Engineering Experiment Station Rules and Standard Administrative Procedures
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. 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**

Robin Woods, CPA, Director  
Chesney Cote, CPA, Senior Manager  
Debbie Bugenhagen  
Alex Guess, CISA  
Aissata Sow  
Lindsey Thomson, CPA

## **Distribution List**

Dr. Robert Bishop, Vice Chancellor for Engineering and Director  
Dr. Rodney Bowersox, Deputy Director  
Dr. Joseph Dunn, Assistant Vice Chancellor, Chief Financial Officer  
Ms. Amber Oehlke, Director, Research Compliance  
Ms. Kathrine Farr, Manager, Operations  
Ms. Deidra White, Director, Ethics & Compliance



System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

**TEXAS A&M UNIVERSITY**

# **STUDENT ORGANIZATIONS AND ACTIVITIES**

**April 16, 2025**

**Amanda Dotson, CPA  
Chief Auditor**



## Overall Conclusion

Internal controls over student organizations and activities 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 student organization travel.

Texas A&M University has established student organizations and activities under the Department of Student Activities (StuAct). StuAct works to provide students, faculty, and staff with the information and resources necessary to support the effort and success of all recognized student organization leaders. Texas A&M has more than 1,300 student organizations.

StuAct has oversight of the recognition process for the campuses in College Station, Galveston, McAllen, the School of Law, and all Texas A&M Health locations. The Student Organization Finance Center (SOFC), which provides banking and financial services in support of the activities and programs of recognized student organizations, has oversight of the financial processes for all these locations except Galveston.

### Summary Table

Audit Areas	Controls Assessment
Student Organization Travel	Needs Some Improvement
Cash Handling Training	Effective – No Observations
Galveston Student Organization Finances	Effective – No Observations
Galveston Student Organization Travel	Effective – No Observations
Payment Card Industry (PCI) Compliance	Effective – No Observations
SOFC Cashiering	Effective – No Observations
SOFC Deposits	Effective – No Observations
SOFC Expenditures	Effective – No Observations
Student Organization Governance	Effective – No Observations
Student Organization Information System	Effective – No Observations

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

## Detailed Results

### 1. Student Organization Travel

**Monitoring processes require improvement to ensure compliance with university rules and procedures for student organization travel.** University Standard Administrative Procedure 13.04.99.M1.01, Student Travel Procedures, requires student travel to have a monitoring process to ensure procedures are followed. The Department of Student Activities established a spot audit process to periodically review documentation for a sample of student organization travel events for compliance with policies and procedures. However, spot audits did not occur during the audit period. Spot audits conducted prior to the audit period did not yield positive results in the student organizations' retention of required travel documentation, timely submission of travel forms, and inclusion of all required information in the travel forms.

Spot audit procedures including the frequency, how to conduct them, and communication of the results are not formally documented. Personnel previously conducting the spot audits are no longer with the department and duties were not reassigned. Without adequate monitoring and controls over student organization travel, the university is at greater risk of liability and reputational harm in the event of injury to employees and students.

#### Recommendation

Document the procedures for spot audits to include considerations for selecting a sample, the detailed procedure to conduct the spot audits, the frequency with which they should occur, and communication of results to management. Consider additional training or other appropriate consequences for student organizations with negative spot audit results.

Consider enhancing monitoring procedures for highly affiliated recognized student organizations to further limit risks associated with student organization travel. This could include more frequent spot audits or a larger sample during spot audits.

#### Management's Response

*Corrective Action:* Student Activities is committed to the development of a recognized student organization travel spot audit process to include:

- Criteria Student Activities will use to determine which recognized student organizations will be included in the sample,

- Frequency,
- Detailed steps,
- Plan for communicating spot audit findings, and
- Accountability steps, including training and other consequences as necessary.

*Position Responsible:* Director, Department of Student Activities

*Implementation Dates:*

- Finalization of spot audit process and criteria: June 1, 2025
- Conduct first round of spot audits: August 1, 2025

# Basis of Audit

## Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Student organization travel
- Cash handling training
- Galveston student organization finances
- Galveston student organization travel
- Payment card industry (PCI) compliance
- SOFC cashiering
- SOFC deposits
- SOFC expenditures
- Student organization governance
- Student organization information system

The audit period was primarily September 1, 2023 to August 31, 2024. Fieldwork was conducted from November 2024 to February 2025. Our audit scope included student organizations located at the following Texas A&M University campuses: College Station, Galveston, McAllen, the School of Law, and all Texas A&M Health locations.

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

Audit Objective	Methodology
<u>Student Organization Travel</u>  Determine if student organization travel documentation is complete, submitted timely, and approved according to requirements.	Auditors used professional judgement to select a nonstatistical sample of 25 student organization travel events and reviewed supporting documentation to test compliance with university and department requirements.  Auditors interviewed key personnel regarding the department’s monitoring

Audit Objective	Methodology
	processes and reviewed supporting documentation.
<p><u>Cash Handling Training</u></p> <p>Determine whether student organization finance center staff completed required cash handling training.</p>	<p>Auditors determined the employees that are responsible for handling cash from student organization deposits for the SOFC and Galveston student activities.</p> <p>Auditors determined if the employees completed cash handling training in compliance with procedures.</p>
<p><u>Galveston Student Organization Finances</u></p> <p>Determine whether Texas A&amp;M at Galveston student organizations' financial processes are in compliance with university and A&amp;M System requirements.</p>	<p>Auditors gained an understanding of the processes and controls in place for recognized student organizations' finances by conducting an interview with key personnel.</p> <p>Auditors determined if processes and controls appeared appropriate to ensure security of organization finances.</p>
<p><u>Galveston Student Organization Travel</u></p> <p>Determine if student organization travel documentation at Texas A&amp;M at Galveston is complete, submitted timely, and approved according to requirements.</p>	<p>Auditors used professional judgement to select a nonstatistical sample of 5 student organization travel events. Auditors reviewed supporting documentation to test compliance with university and department requirements.</p>
<p><u>Payment Card Industry (PCI) Compliance</u></p> <p>Determine if marketplace software used to accept credit card payments is in compliance with PCI requirements and if student leader training has been completed.</p>	<p>Auditors gained an understanding of the processes and controls in place for student organizations accepting credit card payments. Self-assessment questionnaires and training were reviewed to determine timely completion and compliance with PCI standards and university procedures.</p>



Audit Objective	Methodology
	<p>Auditors used professional judgement to select a nonstatistical sample of 22 credit card terminal reservations. Supporting documentation was reviewed to determine if student leaders completed required agreements and provided required reports from the terminal upon return in compliance with procedures.</p> <p>Auditors used professional judgement to select a nonstatistical sample of 21 online stores. Supporting documentation was reviewed to determine if student leaders completed required training, and whether signed agreements and appropriate store roles were in place in compliance with procedures.</p>
<p><u>SOFC Cashiering</u></p> <p>Determine whether cashiering activities are properly secured in accordance with university, department and A&amp;M System requirements.</p>	<p>Auditors conducted an unannounced cash count to observe processes and controls over cash handling, security of the vaults, and to test the completeness of the working fund.</p> <p>Auditors reviewed the courier processes and daily log to confirm that processes and controls are operating as intended.</p>
<p><u>SOFC Deposits</u></p> <p>Determine if SOFC deposits agree with supporting documentation and are in compliance with university and A&amp;M System requirements.</p>	<p>Auditors used professional judgement to select a nonstatistical sample of 60 deposits and reviewed supporting documentation to determine if deposits were accurate, timely, and in compliance with procedures.</p>
<p><u>SOFC Expenditures</u></p>	<p>Auditors used professional judgement to select a nonstatistical sample of 60 voucher expenditures (including check</p>

Audit Objective	Methodology
<p>Determine if SOFC expenditure transactions agree with supporting documentation and are in compliance with university and A&amp;M System requirements.</p>	<p>requests and cash advances). Auditors reviewed supporting documentation and approvals to determine if expenditures were appropriate, reasonable, and in compliance with procedures.</p> <p>Auditors reviewed recent reconciliations for the SOFC clearing account to determine if they are completed timely and if the ages of the outstanding transactions are reasonable.</p>
<p><u>Student Organizations Governance</u></p> <p>Determine whether student leaders and advisors have completed the annual recognized student organization requirements.</p>	<p>Auditors used professional judgement to select a nonstatistical sample of 60 student organizations. Auditors reviewed supporting documentation to determine if selected organizations completed recognition requirements and mandatory training.</p>
<p><u>Student Organization Information System</u></p> <p>Determine if the student organization information system is properly backed up and if access is properly monitored.</p>	<p>Auditors gained an understanding of the general information technology controls for the student organization information system including data backups and user access. Auditors reviewed active users to determine if access is appropriate.</p> <p>Auditors determined if data is backed up on an appropriate frequency and recoverable.</p>

### 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:

- 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' *Global Internal Audit Standards*. 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  
Chesney Cote, CPA, Senior Manager  
Debbie Bugenhagen  
Alex Guess, CISA  
Aissata Sow  
Lindsey Thomson, CPA

## **Distribution List**

General (Ret) Mark A. Welsh III, President  
Dr. Tom Reber, Interim Vice President for Student Affairs  
Dr. Alan Sams, Provost, Vice President for Academic Affairs  
Mr. John Crawford, Executive Vice President for Finance and Chief Financial Officer  
Dr. Victoria Dobiyanski, Associate Vice President for Student Affairs  
Ms. Cari Tawney, Assistant Vice President for Finance, Student Affairs Finance  
Dr. Josh Brown, Director, Student Activities  
Ms. Lauren Fitch, Business Manager, SOFC Education and Outreach, Financial Management  
Mr. Michael Green, Business Administrator II, Student Affairs Finance  
Mr. Todd Sutherland, Associate Vice President, Student Affairs, Texas A&M at Galveston  
Ms. Susan Lee, Associate Vice President for Finance and Compliance Officer, Texas A&M at Galveston  
Ms. Shelly Fordyce, Director, Student Activities, Texas A&M at Galveston  
Ms. Lisa Akin, Vice President and Chief Compliance Officer  
Mr. Jason Boyle, Compliance Officer III  
Ms. Aline Lovings, Compliance Officer III



System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

# **TEXAS A&M UNIVERSITY SYSTEM**

## **PRIVATE DEVELOPMENTS**

**April 16, 2025**

**Amanda Dotson, CPA**  
**Chief Auditor**



## Overall Conclusion

Internal controls over private developments at the Texas A&M University System Offices are operating as intended and in compliance with applicable laws and policies. An opportunity for improvement was noted in the area of lease monitoring and compliance.

Private developments are often initiated through a ground lease with the A&M System. Some private developments include multiple construction projects. Several System Offices are involved in the administration of these private development projects, including the Office of Business Affairs, Facilities Planning & Construction, Office of General Counsel, System Real Estate Office, Procurement and Business Services, and the respective A&M System members. The System Real Estate Office is responsible for facilitating ground leases in accordance with A&M System policy and maintaining records related to surface estates. The respective A&M System members are responsible for monitoring lease terms and compliance. As of February 7, 2025, the A&M System had 43 active ground leases.

### Summary Table

Audit Areas	Controls Assessment
Lease Monitoring and Compliance	Needs Some Improvement
Developer Bonds	Effective - No Observations
Lease Administration	Effective – No Observations
Lease Termination Process	Effective – No Observations
Private Development Governance	Effective – No Observations
Project Initiation Process	Effective – No Observations

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

## Detailed Results

### 1. Lease Monitoring and Compliance

**The process of transferring monitoring responsibilities for private development leases from the System Offices to the A&M System members needs improvement.** Two of five (40%) ground leases reviewed had one or more key terms that were not properly monitored by the respective system member. Turnover at both the System Offices and the respective members may result in a lack of knowledge transfer. Members may benefit from additional guidance and reminders regarding monitoring ground leases.

The Committee of Sponsoring Organizations of the Treadway Commission Internal Control – An Integrated Framework states that communication provides information necessary in designing, implementing, and conducting internal control, and in assessing its effectiveness. Without clear and regular communication in the transfer of lease monitoring and compliance responsibilities, key lease terms may go unmet, potentially resulting in revenue shortfalls, uninsured property, poor maintenance, or other unintended risk.

#### Recommendation

Develop and document a process to formally and regularly communicate the transfer of ground lease monitoring and compliance responsibilities to the system members. Provide guidance to members for monitoring key terms.

#### Management's Response

##### *Corrective Action:*

Implementation Plan - Create a 'transfer of responsibilities' document to formally transfer the lease monitoring and compliance to the system member. Meet with system members who currently have ground leases to provide guidance for monitoring and adhering to ground lease key terms.

Continuation Plan - Annually send the document of 'transfer of responsibilities' to the system members with ground leases.

*Position Responsible:* Director – Real Estate

*Implementation Date:* Implementation Plan - No later than 12/31/2025  
Continuation Plan - Annually

# Basis of Audit

## Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over private developments at the A&M System Offices are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Lease monitoring and compliance
- Developer bonds
- Lease administration
- Lease termination process
- Private development governance
- Project initiation process

The audit period was primarily September 1, 2023 to August 31, 2024. Fieldwork was conducted from September 2024 to February 2025.

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

Audit Objective	Methodology
<u>Lease Monitoring and Compliance</u>  Determine whether monitoring of private development lease terms complies with A&M System policies.	Auditors interviewed key personnel to gain an understanding of the lease monitoring and compliance process, including tracking of key lease terms.  Auditors also judgmentally selected a nonstatistical sample of five current leases to review for compliance with selected lease terms, including deferred maintenance, revenue receipts, private developer performance, and other contract terms, as applicable.
<u>Developer Bonds</u>  Determine whether the performance and payment bonds for recent private	Auditors interviewed key personnel to gain an understanding of the developer bond requirements and the bond review process.



Audit Objective	Methodology
development projects comply with A&M System policies and contractual requirements.	Auditors reviewed the one private development project that began construction during the audit period. Developers' performance and payment bonds, notice of commencement, and building permits were obtained and reviewed for compliance with contract requirements.
<u>Lease Administration</u>  Determine whether ground lease administration processes comply with A&M System policies.	Auditors interviewed key personnel to gain an understanding of the ground lease administration processes.  Auditors judgmentally selected a nonstatistical sample of five active private development projects during the audit period. The executed ground lease was obtained and reviewed for proper reviews, approvals, reporting, and inclusion of current private developer guidelines in compliance with A&M System policies, as applicable.
<u>Lease Termination Process</u>  Determine whether ground lease termination processes comply with A&M System policies.	Auditors interviewed key personnel to gain an understanding of ground lease termination processes.  Auditors reviewed the two ground lease terminations in the audit period. Auditors obtained and reviewed supporting documentation of the business case, deferred maintenance schedule, and approvals for compliance with A&M System policies and lease terms.
<u>Private Development Governance</u>  Determine whether governance processes are in place and comply	Auditors interviewed key personnel to gain an understanding of the governance processes for private developments. Auditors also reviewed

Audit Objective	Methodology
with A&M System policies and requirements.	available written procedures and reports to management and the Board of Regents for compliance with A&M System policies and requirements.
<u>Project Initiation Process</u>  Determine whether project initiation processes for private development projects comply with A&M System policies.	Auditors interviewed key personnel to gain an understanding of the project initiation process. Auditors judgmentally selected a nonstatistical sample of six new or proposed developments and reviewed supporting documentation of the business case, competitive developer selection process, and potential conflict of interest verification for compliance with A&M System policies, as applicable.

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:

- Texas A&M University System Policies and Regulations
- Texas A&M University System Developer Project Guidelines
- The Committee of Sponsoring Organizations of the Treadway Commission  
Internal Control – An Integrated Framework
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. 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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Robin Woods, CPA, Director  
Jessica Bolding, CPA, Senior Manager  
Darwin Rydl, CPA  
Tracey Sadler, CIA  
Lindsey Thomson, CPA

## **Distribution List**

Mr. John Sharp, Chancellor  
Mr. Billy Hamilton, Deputy Chancellor and Chief Financial Officer  
Mr. Phillip Ray, Vice Chancellor for Business Affairs  
Mr. Clint Cooper, Executive Director, Real Estate  
Ms. Janet Gordon, A&M System Ethics and Compliance Officer