The Texas A&M University System Internal Audit Department

Monthly Audit Report
July 15, 2026

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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

EAST TEXAS A&M UNIVERSITY

HOUSING

JULY 15, 2026

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Chief Auditor

Project #20262101

Overall Conclusion

Internal controls over housing operations at East Texas A&M University are operating as intended and in compliance with applicable laws and policies. An opportunity for improvement was noted in the timely completion of vendor hold verifications for procurement card purchases.

East Texas A&M University has seven residential communities. Fall 2025 occupancy totaled 2,067 beds, and gross revenues totaled $15 million in fiscal year 2025. Residential Living and Learning oversees the university's housing operations and includes the offices of Business Services, Facilities and Operations, Occupancy Management, and Residence Education, employing 141 staff, including four community directors and 63 resident assistants who reside on campus.

Summary Table

Audit Areas	Controls Assessment
Procurement Cards – Vendor Hold Verifications	Needs Some Improvement
Building Access – Cards	Effective – No Observations
Building Access – Keys	Effective – No Observations
Clery Act Training	Effective – No Observations
Financial Analysis and Reporting	Effective – No Observations
Procurement Cards	Effective – No Observations
Travel Cards	Effective – No Observations
User Access – Residential Management System	Effective – No Observations

Management concurred with the audit recommendations and indicated that implementation will occur by the end of November 2026.

Detailed Results

Procurement Cards – Vendor Hold Verifications

Vendor hold verifications for procurement card purchases were not consistently performed in accordance with applicable requirements. Testing identified noncompliance both before and after implementation of updated procedures took effect on September 1, 2025. Before implementation, seven of eight (88%) procurement card purchases tested over $500 did not meet vendor hold verification requirements. Additional testing conducted after implementation identified similar issues, with four of seven transactions (57%) lacking documentation of vendor hold verification prior to the purchase. Although revised procedures were implemented, monitoring controls did not detect or prevent missing or untimely verifications.

Failure to perform vendor hold verifications before purchase increases the risk of conducting business with vendors that have outstanding obligations to the State of Texas. Although no unallowable payments were identified, noncompliance could result in prohibited payments and financial penalties.

Texas Government Code Section 403.055, *Payments to Debtors or Delinquents Prohibited*, requires state agencies to avoid making payments over $500 to vendors on hold. The A&M System *Guidelines for Disbursement of Funds* require vendor hold verifications on transactions over $500 to be performed and documented prior to purchase.

Recommendation

Strengthen controls to ensure vendor hold verifications are performed and documented in a timely manner in accordance with applicable state, system, and university requirements.

Management's Response

Corrective Action: The University concurs with the audit recommendation.

Residential Living & Learning has implemented updated One Card procedures to strengthen financial oversight and accountability. These procedures clarify expectations for vendor verification, purchase pre-approval, transaction reconciliation, supporting documentation, and compliance with East Texas A&M University policies.

Cardholders are responsible for obtaining required approvals before making purchases, retaining appropriate supporting documentation, and complying with ETAMU One Card requirements. Noncompliance may result in progressive corrective action, including written reminders, required training, temporary suspension or reduction of card privileges, or loss of privileges for repeated violations.

Position Responsible: Director of Residential Living and Learning

Implementation Date: Updated procedures and cardholder expectations have been implemented. Related training, monitoring, and corrective action processes will continue through November 2026 to support full enforcement.

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Procurement cards
- Building access – cards
- Building access – keys
- Clery Act training
- Financial analysis and reporting
- Travel cards
- User access – residential management system

The audit period was primarily September 1, 2024 to January 31, 2026. Fieldwork was conducted from March to May 2026.

Our audit methodology included gaining an understanding of processes in place through interviews, observation, and review of documentation as well as testing of data using sampling as follows:

Audit Objective	Methodology
Procurement Cards Determine whether selected procurement card transactions are reasonable and in compliance with requirements.	Auditors obtained the population of procurement card transactions and used professional judgment to select a nonstatistical sample of 15 transactions. Auditors reviewed cardholder transactions for reasonableness and evidence of: • Adequate supporting documentation • Documented business purpose • Proper exclusion of state sales tax

Audit Objective	Methodology
	• Appropriate object codes • Timely submission • Evidence of supervisory review and approval Auditors reviewed aging reports for unassigned transactions and unsubmitted or unapproved expense reports to assess whether review responsibilities were assigned, follow-up procedures were performed, and instances of noncompliance were escalated in accordance with applicable requirements.
<u>Building Access – Cards</u> Determine whether card access to residential buildings and rooms is appropriately granted and removed after move-out or separation.	Auditors used professional judgment to select a nonstatistical sample of 30 previous (student) tenants and verified their card access to residential buildings and rooms was removed after move-out. A population of 65 non-students with active card access to residential buildings was obtained by the auditors and compared to a list of current employees and student workers. For any access not assigned to a current employee or student worker, auditors asked management to provide a business purpose for the active card access.
<u>Building Access – Keys</u> Determine whether keys to residential buildings are appropriately issued, tracked, and returned upon move-out.	Auditors used professional judgment to select a nonstatistical sample of 30 previous (student) tenants and verified their keys were returned upon move-out.

Audit Objective	Methodology
Clery Act (CSA) Training Determine whether employees designated as campus security authorities have completed Clery Act training timely and in compliance with requirements.	Auditors reviewed applicable training records for 13 employees identified as CSAs to determine whether Clery Act training was completed timely and in compliance with requirements.
Financial Analysis and Reporting Determine whether financial reports are accurate, complete, and include appropriate analysis of all revenues and expenses.	Auditors reviewed financial reports and other supporting documentation used by the university and department for accuracy and completeness and to determine whether analysis of all applicable revenues and expenses were included.
Travel Cards Determine whether travel card transactions are in compliance with requirements.	Auditors obtained the population of travel card transactions and used professional judgment to select a nonstatistical sample of 15 transactions. Auditors reviewed cardholder transactions for reasonableness and evidence of: • Adequate supporting documentation • Documented business purpose • Proper exclusion of state sales tax • Appropriate object codes • Timely submission • Evidence of supervisory review and approval Auditors reviewed aging reports for unassigned transactions and unsubmitted reports to assess whether review responsibilities were assigned, follow-up procedures were performed,

Audit Objective	Methodology
	and instances of noncompliance were escalated in accordance with applicable requirements.
User Access – Residential Management System Determine whether user access to the residential management system is appropriately authorized and removed when no longer needed.	A population of currently enabled users with access to the residential management system was obtained by the auditors and compared to a list of current employees and student workers. For enabled users not assigned to a current employee or student worker, auditors asked management to provide a business purpose for retaining the user account. Auditors determined whether periodic user access reviews are performed.

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 audit.

Criteria

Our audit was based upon the following:

- Texas A&M University System Policies and Regulations
- East Texas A&M University Rules and Standard Administrative Procedures
- Texas A&M University System Disbursement of Funds Guidelines
- East Texas A&M University One Card Program Guide
- Texas State Code
- 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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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

WEST TEXAS A&M UNIVERSITY

PAYROLL

JULY 15, 2026

Amanda Dotson, CPA
Chief Auditor

Project #20261801

Overall Conclusion

Internal controls over payroll at West 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 nepotism disclosures.

Workday, the A&M System's human capital management system, is utilized to process payroll. Fiscal year 2025 salaries and wages expense for the university totaled $38 million. As of January 2026, there were approximately 897 faculty and staff.

Summary Table

Audit Areas	Controls Assessment
Data Analytics – Nepotism Disclosures	Needs Some Improvement
Data Analytics – Payment Amounts	Effective – No Observations
Data Analytics – Payment Timing	Effective – No Observations
Payroll Account Reconciliations	Effective – No Observations
Workday Security Roles	Effective – No Observations

Management concurred with the audit recommendations and indicated that implementation will occur by March 1, 2027.

Detailed Results

1. Data Analytics – Nepotism Disclosures

Improvement is needed to ensure related employees have required documentation in place. A&M System Policy 07.05, *Nepotism,* requires the member's CEO or designee to authorize the employment of covered relatives in writing. Auditors performed data analysis by reviewing employees' physical/mailing addresses, to identify potentially related individuals and focused the results primarily on positions within the same department. The analysis resulted in 14 of 80 (17%) related employees identified that did not have required forms on file. Processes and oversight to properly identify and document employment for covered relatives were not fully established.

Conflict of interest in appearance or in fact can negatively impact the work environment for other employees and increase the risk of impaired decision-making.

Recommendation

Ensure related employees identified have required nepotism disclosure documentation on file, including final management approval.

Develop and implement written procedures and monitoring processes to ensure required nepotism documentation is completed upon hire and during continued employment, as applicable. Written procedures should include communication to faculty and staff regarding policy requirements for disclosing nepotism situations. Consider requiring employees to periodically confirm whether any covered relatives are employed by the university and whether required documentation is complete and up to date.

Management's Response

Corrective Action: Update written procedures and monitoring processes to include the following:

- Continue our current process of communicating the nepotism policy during onboarding, and, if nepotism exists, having the employee complete the nepotism form during onboarding and sending the form to their relative to complete, as well.
- Opt into the annual nepotism disclosure through Workday, when it is available in the fall of 2026.

- Email all employees bi-annually to remind them of the nepotism policy and their responsibility to disclose those relationships.
- Run an "address report" in Workday quarterly to check for matching addresses and inquire as to whether or not nepotism exists that has not been reported.

Position Responsible: Director of Payroll/Payroll Department

Implementation Date: March 1, 2027

Basis of Audit

Objective, Scope, & Methodology

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

The audit focused on the following areas:

- Data analytics
- Payroll account reconciliations
- Workday security roles

The audit period was primarily January 1, 2025 to December 31, 2025. Fieldwork was conducted from April 2026 to June 2026.

Our audit methodology included gaining an understanding of processes in place through interviews, observation, and review of documentation as well as testing of data using sampling as follows:

Audit Objective	Methodology
Data Analytics Analyze payroll transactions to determine if payroll expenditures are appropriate and in compliance with laws, policies, and procedures.	Auditors performed data analytics on payroll and employee data including the following tests: • Address matches for possible nepotism issues • Employees with payments 45 days or more past termination date • Excessive straight time hours • Excessive overtime hours • Fair Labor Standards Act (FLSA) exempt employees paid overtime • Employees paid prior to current employment date • Employees paid large hourly rates • Employees with active status with no payroll transactions

Audit Objective	Methodology
	Auditors analyzed the results and obtained additional information from the university as needed.
Payroll Account Reconciliations Determine if payroll accounts are being monitored and reconciled in accordance with applicable rules and procedures.	Auditors gained an understanding of the processes used to reconcile payroll accounts. For the entire population of 10 clearing accounts, auditors obtained supporting documentation to determine if reconciliations were performed in accordance with applicable procedures.
Workday Security Roles Determine whether Workday security roles with elevated access are necessary and appropriate.	Auditors gained an understanding of the hiring and payroll security roles in Workday. Auditors obtained reports listing employees with access and tested for reasonableness with job duties. Auditors gained an understanding of the university's response to payroll segregation of duties issues from the Texas Comptroller's Desk Audit of Controls Over Expenditure Processing from 2024.

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