

The Texas A&M University System Internal Audit Department



Monthly Audit Report
July 16, 2025

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The overall objective of this audit was to determine if internal controls over information technology are in place to ensure the confidentiality, integrity, and availability of information resources.

This report is excepted from public disclosure per Chapter 552.139 of the Texas Government Code.

Texas A&M Transportation Institute: Information Technology

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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

WEST TEXAS A&M UNIVERSITY

AUXILIARY SERVICES

July 16, 2025

**Amanda Dotson, CPA
Chief Auditor**



Overall Conclusion

Internal controls over auxiliary services including bookstore, student housing, and athletics operations at West Texas A&M University are operating as intended and in compliance with applicable laws and policies with the exception of procurement and travel card approver training and transaction approvals. Opportunities for improvement were also noted in the areas of auxiliary financial statements, bookstore inventory reconciliation, travel cards cardholder training, athletics ticket revenue reconciliation, and cash handling training.

The university reported auxiliary services revenue of \$24 million in fiscal year 2024 of which the Athletics department accounted for \$17 million. Residential Living has 9 residence halls with 1,800 residents. The university bookstore recorded \$1.2 million in sales for fiscal year 2024.

Summary Table

Audit Areas	Controls Assessment
Procurement and Travel Cards – Transaction Approvals	Needs Significant Improvement
Procurement and Travel Cards – Approver Training	Needs Significant Improvement
Auxiliary Financial Statements	Needs Some Improvement
Bookstore Inventory Reconciliation	Needs Some Improvement
Travel Cards – Cardholder Training	Needs Some Improvement
Athletics Ticket Revenue Reconciliation	Needs Some Improvement
Working Funds – Cash Handling Training	Needs Some Improvement
Bookstore Revenue Reconciliation	Effective – No Observations
Clery Act Training	Effective – No Observations
Deferred Maintenance Planning	Effective – No Observations
HIPAA and FERPA Training	Effective – No Observations
Procurement Cards – Cardholder Training	Effective – No Observations
Residence Hall Access	Effective – No Observations
Title IX 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. Procurement and Travel Cards – Transaction Approvals

Significant improvement is needed to ensure procurement and travel card transactions are approved by the appropriate personnel. Twenty-nine (24%) of 120 procurement card transactions and 3 (10%) of 30 travel card transactions tested were not approved by a departmental account manager or by the cardholder's supervisor. The exceptions noted were as follows:

- 12 transactions were approved by the procurement card coordinator but no one in the respective departments.
- 11 transactions were approved by the cardholder.
- 9 transactions were not approved.

Both the Procurement Card Program Policy & Procedure Manual and the Travel Guidebook for the university state that the account manager for the department, the cardholder's supervisor, or the department head is responsible for approving transactions monthly to ensure the purchases are in accordance with policy.

The university has not established a formal routing process for transactions to notify the appropriate approver(s). There is not a formal process by the purchasing department to monitor compliance for timely approvals. Without formal approval by appropriate departmental personnel, there is an increased risk that errors, misappropriations, or fraud could go undetected.

Recommendation

Implement internal controls to ensure procurement and travel card transactions are approved in compliance with established guidance. Develop and implement procedures to monitor compliance.

Management's Response

Corrective Action: For procurement card users, WT will send an automated email on the 5th of each month reminding cardholders that they have until the 10th of the month to complete allocations. Initial review, document uploads and secondary approvals by the supervisor/account approver must be completed in Citibank by that date.

On the 11th of each month an auditable report is run in Citibank that identifies transactions that were not allocated prior to the deadline. An additional reminder

email is sent to all employees who did not complete their allocations and/or approvals. Those account holders and approvers are notified that their procurement card credit limit will be reduced to \$1.00 until all allocations and approvals are completed. This process will be repeated throughout the month until all transactions have been reviewed with appropriate documentation and approved for that reporting period.

The Travel Card Program is following the same procedures with the exception of the automated emails. At this time, the emails will be sent by the Travel Card Coordinator.

Position Responsible: Procurement and Travel Card Coordinators

Implementation Date: 08/31/25

2. Procurement and Travel Cards – Approver Training

Significant improvement is needed to ensure individuals approving procurement and travel card transactions for Residential Living and Athletics complete required training. There are eight Residential Living employees and three Athletics department employees with applicable approval authority. A&M System Regulation 21.01.03, *Disbursement of Funds*, states that approvers must attend approver training every two years to educate and remind the approvers of their responsibilities. Procedures have not been established to require this training for procurement and travel card approvers. Without proper training, approvers could be unaware of certain requirements and strategies to ensure transactions and supporting documentation are compliant.

Recommendation

Develop and implement procedures and monitoring processes to ensure procurement and travel card transaction approvers within Residential Living and Athletics departments receive approver training.

Management's Response

Corrective Action: Procurement and Travel card approvers will be assigned the TrainTraq training #2114609 through HR. All new approvers will be required to complete the TrainTraq approver training prior to assignment of approver access and responsibilities. The training will be required for all approvers on a bi-annual basis.

Position Responsible: Procurement and Travel Card Coordinators

Implementation Date: 08/31/25

3. Auxiliary Financial Statements

Improvement is needed to ensure that comprehensive financial statements are prepared regularly for auxiliary operations. Reports of the auxiliaries' financial position, including indirect expenses such as depreciation, debt service, and deferred maintenance, as well as reserve balances, were not prepared during the audit period. These reports were previously prepared by an employee that is no longer with the university.

System Regulation 21.01.01, *Financial Accounting and Reporting*, encourages A&M System members to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of auxiliary enterprise operations for management to utilize in making decisions regarding auxiliary activities. Comprehensive financial reports are needed for management to make informed financial decisions including setting aside adequate reserve funding for future expenses including maintenance and debt service.

Recommendation

Ensure periodic financial reports/statements for each significant auxiliary operation within the university are prepared to provide a comprehensive assessment of each auxiliary's financial condition and performance.

Management's Response

Corrective Action: Auxiliary Statement of Operations will be created for Athletics, Bookstore and Residential Living on a quarterly basis. The financial statements will be emailed to the manager responsible for each auxiliary.

Position Responsible: Business Office

Implementation Date: 12/15/25

4. Bookstore Inventory Reconciliation

Inventory processes need improvement to ensure accuracy. The most recent inventory reconciliation performed showed significant discrepancies between bookstore records and the inventory counts. Bookstore personnel did not

properly record merchandise into its inventory management system when it was received into the store/warehouse. The failure to accurately record new inventory in the system has resulted in the bookstore's inventory being understated by approximately \$508,000 (44%).

The Committee on Sponsoring Organizations (COSO) defines control activities as the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Physical control activities include physically securing inventories and periodically counting to compare with amounts shown on control records. Without adequate inventory receiving processes, there is an increased risk that errors, loss, or theft may occur and go undetected.

Recommendation

Develop and implement procedures to ensure inventory is properly and timely received and accurately recorded in the inventory management system. Establish a periodic monitoring process to spot check receiving of inventory into the system more frequently than the annual inventory count.

Management's Response

Corrective Action: When the Bookstore Manager places an order for any item, either the Bookstore Manager or Customer Service Representative must immediately enter the item into Advanced Retail Center (ARC), the inventory tracking system. Items will no longer be held until physical receipt before entry. Instead, they will be logged into ARC as soon as the order is placed. Once the item is physically received, it will be promptly marked as "received" in ARC.

Position Responsible: Bookstore Manager

Implementation Date: 8/31/2025

5. Travel Cards – Cardholder Training

Travel cardholders have not completed training within the required frequency. Twelve (48%) of 25 cardholders tested had not completed travel card training within the last two years. One of those cardholders did not have a record of ever completing the training.

A&M System Regulation 21.01.03, *Disbursement of Funds*, states that personnel involved in the disbursement process must be trained every two years to

understand the rules related to paying for goods and services. Management is transitioning to online training with automatic assignments from the one-time in-person training that was previously offered. Without proper training, there is an increased risk of noncompliance with policies or unallowable travel card transactions.

Recommendation

Develop and implement procedures to ensure that disbursement training is assigned every two years for travel cardholders.

Management's Response

Corrective Action: As of April 25, 2025, new cardholders will be assigned the CBA Travel TrainTraq training # 2114835 through HR prior to receiving their travel card. The training is required every two years. Additionally, all current users will be assigned the TrainTraq training through HR.

Position Responsible: Travel Card Coordinator

Implementation Date: 09/01/25

6. Athletics Ticket Revenue Reconciliation

Reconciliation procedures for ticket sales need improvement to ensure revenue completeness. The Athletics ticket office reconciliation procedure focuses on matching payment transactions between the ticketing and the credit card systems. Currently, the procedure does not include a step to ensure the revenue posted in the financial accounting system reconciles to the ticketing system. The university business office prepares reports that reconcile the credit card system and check deposits to the financial accounting system but does not include the ticketing system. The Athletics department had not considered adding this step to the procedure. The reconciliation of payments by check follows a separate process and was not performed timely for two months tested.

The Committee on Sponsoring Organizations (COSO) states that monitoring activities serve to monitor the effectiveness of internal control in the ordinary course of operations such as management and supervisory activities, comparisons, reconciliations and other routine actions. Reconciliations are a critical control activity to help ensure an organization's financial integrity. Periodic reconciliations are necessary to identify differences between two or more sets of records or systems so that appropriate actions can be taken to resolve any

discrepancies or outstanding items. Good processes for account reconciliations provide a framework for ensuring quality, accuracy and completeness. Without a comprehensive reconciliation, there is an increased risk that errors or discrepancies would not be identified.

Recommendation

Revise monthly reconciliation procedures to ensure all revenue from the ticketing system is accounted for in the financial accounting system including credit cards and checks. Improve documentation for monitoring processes by recording the preparer and approver for each reconciliation.

Management's Response

Corrective Action: The ticket reconciliation policy will be revised to include the verification of funds in the ticket office revenue account to the budget status report. A summary sheet will be created each month compiling totals from Authorize.net, Ticket Return, and the Budget Status report to ensure all revenue is properly accounted for. The preparer and approver will sign to document the completion.

Position Responsible: Director of Tickets

Implementation Date: 8/31/25

7. Working Funds – Cash Handling Training

Cash handling training is not being completed consistently by bookstore employees that handle cash. Eight (66%) of 12 employees did not complete the training as required. Four had never completed the training, three had not retaken the course annually, and one completed the training more than 30 days from the hire date. The training is not consistently assigned to new employees upon hire, and not all of the new employees were added to an employee group in the training system that would automatically reassign the training annually.

A&M System Regulation 21.01.02, *Receipt, Custody and Deposit of Revenues*, requires departmental cash handling procedures to be documented including cashier training. Without proper training, employees may not have knowledge of proper controls over cash collected and documentation that must be maintained for the bookstore working fund.

Recommendation

Enhance controls to ensure cash handling training is assigned upon hire and reassigned annually. Develop and implement procedures to monitor for compliance.

Management's Response

Corrective Action: Cash handling training (TrainTraq #2111772) will be assigned annually to all employees with access to Bookstore funds, including petty cash, safe, cash registers, and deposits.

Position Responsible: Bookstore Manager

Implementation Date: 08/31/25

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls and processes over auxiliary services including bookstore, student housing, and athletics operations at West Texas A&M University are operating as intended and in compliance with laws and policies.

The audit focused on the following areas:

- Procurement and travel cards – transaction approvals
- Procurement and travel cards – approver training
- Auxiliary financial statements
- Bookstore inventory reconciliation
- Travel cards – cardholder training
- Athletics ticket revenue reconciliation
- Working funds – cash handling training
- Bookstore revenue reconciliation
- Clery Act training
- Deferred maintenance planning
- HIPAA and FERPA training
- Procurement cards – cardholder training
- Residence hall access
- Title IX training

The audit period was primarily January 1, 2024 to December 1, 2024. Fieldwork was conducted from March 2025 to May 2025.

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

Audit Objective	Methodology
<u>Procurement and Travel Cards – Transaction Approvals</u> Determine whether procurement and travel card transactions are reasonable, approved, and in accordance with procedures.	To determine if transactions were reasonable and approved timely, auditors used professional judgement to select a sample of 120 procurement card transactions, 60 each from Athletics and Residential Living, and 30 travel card transactions from Athletics for testing.

Audit Objective	Methodology
	Auditors reviewed supporting documentation to test compliance with university procedures.
<u>Procurement and Travel Cards – Approver Training</u> Determine whether the procurement and travel card approvers have completed required training.	Auditors determined the employees responsible for approving procurement and travel card transactions for Athletics and Residential Living. Auditors determined if the employees completed the required approver training according to A&M System policy.
<u>Auxiliary Financial Statements</u> Determine whether financial statements/reports are being prepared to provide a comprehensive assessment of each auxiliary’s financial condition and performance.	Auditors gained an understanding of financial statements and reports prepared for each auxiliary operation and determined if they provided a comprehensive assessment.
<u>Bookstore Inventory Reconciliation</u> Determine if reconciliation processes for bookstore inventory are accurate, complete, and adequately segregated.	To determine if the reconciliation of bookstore inventory is accurate, complete, and adequately segregated, auditors reviewed the most recent inventory count and reconciliation report. Auditor inquired of discrepancies noted in the reconciliation.
<u>Travel Cards – Cardholder Training</u> Determine whether travel cardholders have completed required training.	Auditors used professional judgement to select 25 travel cardholders from Athletics and determined if they completed the required cardholder training.
<u>Athletics Ticket Revenue Reconciliation</u>	Auditors gained an understanding of the Athletics ticket revenue reconciliation and University business office procedures. Auditors used

Audit Objective	Methodology
Determine if reconciliation processes for ticket sales revenue are accurate, complete, and adequately segregated.	professional judgement to select a sample of 2 months to verify accuracy, completeness, and segregation of duties for the reconciliations.
<u>Working Funds – Cash Handling Training</u> Determine if bookstore working funds are properly accounted for and in compliance with regulations and procedures.	Auditors gained an understanding of the processes and controls in place for the bookstore working funds and reviewed supporting documentation of recent cash count examples. Auditors determined the bookstore employees with access to the working fund cash and reviewed training records to determine if required training was completed in compliance with requirements.
<u>Bookstore Revenue Reconciliation</u> Determine if reconciliation processes for revenue are accurate, complete, and adequately segregated.	To determine if bookstore revenue reconciliations are accurate, complete, and adequately segregated, auditors used professional judgement to select five daily reconciliations to review supporting documentation.
<u>Clery Act Training</u> Determine whether employees from Athletics and Residential Living are in compliance with Clery Act training requirements.	Auditors used professional judgment to select a sample of 30 employees from Athletics and 20 from Residential Living for testing. Auditors reviewed training records to determine if each employee completed the required Clery Act training in compliance with requirements.
<u>Deferred Maintenance Planning</u> Determine if the university has adequate deferred maintenance plans and processes for Residential Living and Athletics buildings.	Auditors obtained the deferred maintenance plans for Residential Living and Athletics buildings to determine if they were reasonable, accurate and complete. Auditors gained an understanding of the processes and

Audit Objective	Methodology
	controls for updating the plans with budget availability and projected needs.
<u>HIPAA and FERPA Training</u> Determine whether employees from Athletics are in compliance with HIPAA and FERPA training requirements.	Auditors used professional judgment to select a sample of five employees from Athletics with access to student athlete medical records for testing. Auditors verified the employees had completed training in compliance with requirements.
<u>Procurement Cards – Cardholder Training</u> Determine whether procurement cardholders have completed required training.	Auditors used professional judgement to select the full list of procurement cardholders from Athletics and Residential Living to determine if they completed the required cardholder training.
<u>Residence Hall Access</u> Determine if controls for access to residence halls are in place and ensure building and resident security.	Auditors used professional judgement to select 60 student residents and 60 employees with access to residence halls for testing. Auditors verified if the individuals with access were either enrolled students or had a job function requiring the access as an employee or contractor. Auditors also reviewed if all student residents included in the residence hall access list were assigned to a room in the housing management system.
<u>Title IX Training</u> Determine whether employees from Residential Living and Athletics are in compliance with Title IX training requirements.	Auditors used professional judgment to select a sample of 30 employees from Athletics and 20 from Residential Living for testing. Auditors determined if each employee completed Title IX training in accordance with requirements.

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
- West Texas A&M University Rules and Standard Administrative Procedures
- West Texas A&M University Procurement Card Program Policy & Procedure Manual
- West Texas A&M University Travel Guidebook
- The Committee of Sponsoring Organizations (COSO) Internal Control: 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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