The Texas A&M University System Internal Audit Department

Monthly Audit Report
August 13, 2025

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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

TARLETON STATE UNIVERSITY

FINANCIAL MANAGEMENT SERVICES

August 13, 2025

Amanda Dotson, CPA
Chief Auditor

Project #20250401

Overall Conclusion

Internal controls over financial management services at Tarleton State University are operating as intended and in compliance with applicable laws and policies. Opportunities for improvement were noted in the areas of the Athletics Department's working fund and the bookstore's financial reporting, Payment Card Industry training, and reconciliation processes. There was also an opportunity for improvement noted related to sole source purchases.

Tarleton State University had $178,136,237 in operating revenue and $288,185,920 in operating expenses in fiscal year 2024. At the time of audit fieldwork, there were 302 financial accounts being reconciled, 406 payment cards, 655 travel cards, and working funds totaling $19,360.

Summary Table

Audit Areas	Controls Assessment
Athletics Department – Working Fund	Needs Some Improvement
Bookstore – Financial Reporting	Needs Some Improvement
Bookstore – Payment Card Industry Training	Needs Some Improvement
Bookstore – Reconciliation Processes	Needs Some Improvement
Purchasing – Sole Source Purchases	Needs Some Improvement
Account Reconciliations	Effective – No Observations
Bookstore – Inventory	Effective – No Observations
Bookstore – Payment Card Industry Compliance	Effective – No Observations
Payment and Travel Cards – Cardholder and Approver Training	Effective – No Observations
Payment Card Transactions	Effective – No Observations
Travel Card Transactions	Effective – No Observations
Voucher Transactions	Effective – No Observations
Working Funds	Effective – No Observations

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

Detailed Results

1. Athletics Department – Working Fund

Improvement is needed to ensure working fund transfers are properly documented in the Athletics Ticket Office. During the audit, a surprise cash count was conducted on this working fund, which totaled $7,550. Five hundred dollars from the working fund could not be accounted for. It was later determined the funds had been issued to an employee for cashiering operations at a sporting event on campus. Documentation of the transfer of funds could not be located. The funds were returned to the department following the surprise cash count, which was several days after the event.

A&M System Regulation 21.01.11, *Working Funds*, requires that changes in the custody of working funds be documented. The Athletics Department did not have monitoring processes in place to ensure compliance with A&M System requirements. Without a clear record of accountability, there is an increased risk of undetected discrepancies and potential loss of funds.

Recommendation

Update procedures and monitoring processes, including implementing the use of a cash transfer log and/or form, to ensure custody transfers are documented in compliance with A&M System regulation and departmental procedures.

Management's Response

Corrective Action: The Division of Intercollegiate Athletics developed a written procedure on 06/25/2025 establishing controls and protocols to manage working funds. This procedure includes the use of a cash transfer log to ensure all transfers of custody of funds are documented in accordance with A&M System regulations and division procedures.

Position Responsible: Vice President for Intercollegiate Athletics

Implementation Date: 10/01/2025

2. Bookstore – Financial Reporting

Improvement is needed to ensure that comprehensive financial statements are prepared regularly for the bookstore. Financial reports of the university

bookstore's 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. The university has relied on periodic reviews of combined financial balances for all auxiliary services.

A&M 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. The National Association of College and University Business Officer's Financial Accounting and Reporting Manual further states that accounting records are essential to ascertain the degree of self-support of an auxiliary enterprise.

Comprehensive financial reports are needed for management to make informed financial decisions. As such, financial reports should be designed to disclose the sources and uses of funds and should summarize financial and other management data in a meaningful way.

Recommendation

Develop financial reports for bookstore operations to provide a comprehensive assessment of the financial condition and performance. Include all revenues, direct and indirect expenses including depreciation, debt service and future maintenance of facilities, and corresponding reserves to ensure adequate funds remain available in future years.

Management's Response

Corrective Action: The University will produce monthly financial reports detailing the operations of the campus bookstore. These reports will include a Statement of Revenues, Expenses, and Net Position, segmented into two distinct operational categories: merchandise sales and textbook sales.

Tarleton's Executive Director for Financial Operations and the Bookstore Manager will analyze the financial reports to assess profit margin and revenue and to establish acceptable variance ranges in making data informed decisions.

Position Responsible: Director of Budget Services, Financial Planning and Budget & Campus Store Manager

Implementation Date: 10/01/2025

3. Bookstore – Payment Card Industry (PCI) Training

Improvement is needed to ensure bookstore employees complete required PCI training. Thirteen of fifteen (87%) bookstore employees had not completed the training upon hire and at least once every twelve months thereafter, as required by PCI Security Standard 12.6, *Requirements and Testing Procedures*. A&M System Regulation 21.01.02, *Receipt, Custody, and Deposit of Revenues*, states that members who accept credit and/or debit cards must complete the payment card industry data security training. This was due to a misunderstanding regarding the process for identifying employees required to complete the training and monitoring to ensure completion.

PCI training ensures employees receive information about the importance of information security, are aware of the evolving threat landscape, and understand their responsibilities for the effective operation of relevant security controls. The lack of timely assignment and completion of training increases the risk of unintentional data breaches and noncompliance with PCI security requirements.

Recommendation

Enhance procedures and monitoring processes to ensure the appropriate bookstore employees are identified, assigned, and complete PCI training in compliance with established requirements.

Management's Response

Corrective Action: PCI Training has been assigned to all 14 current Campus Store employees. To date, 13 have completed the training. Written procedures have been developed and added to bookstore departmental procedures manual to ensure the manager can assign applicable training courses to new employees in a timely manner.

The university will implement additional procedures in the future in order to provide timely assignment and completion of applicable training courses at the time of employee transfer or hiring.

Position Responsible: Campus Store Manager

Implementation Date: 10/01/2025

4. Bookstore – Reconciliation Processes

Sales and inventory recorded in the bookstore's point-of-sale system are not reconciled to sales and inventory recorded in the accounting system. Monthly reconciliation processes do not include a process to reconcile the point-of-sale system's sales and inventory with the month-end balances in the accounting system. Management attributed this to staff turnover in the Office of Business Services.

University Standard Administrative Procedure 21.01.01.T0.02, *Accounting and Fiscal Record Keeping,* states that account administrators, or a designee, are responsible for reconciliation or verification of applicable departmental fiscal record systems with the accounting system. It also states that secondary bookkeeping systems require monthly reconciliations to the accounting system.

The lack of reconciliation of the bookstore's point-of-sale system and the accounting system increases the risk of undetected errors, misstatements, or loss of inventory. This affects the accuracy of financial reporting and weakens internal controls over revenue and inventory management.

Recommendation

Update monthly reconciliation procedures and monitoring processes to include the reconciliation of the point-of-sale system's sales and inventory on hand to the month-end balance in the accounting system to ensure data accuracy.

Management's Response

Corrective Action: To ensure the accurate recording of bookstore sales in FAMIS, the University Accounting Department has implemented a monthly reconciliation process. If any discrepancies are identified, they will be thoroughly investigated and resolved to ensure accurate and compliant financial records.

These procedures are designed to ensure transparency, accuracy, and accountability in the financial management of the campus bookstore.

Position Responsible: Director of Budget Services, Financial Planning and Budgets

Implementation Date: 10/01/2025

5. Purchasing – Sole Source Purchases

Improvement is needed to ensure sole source purchases are reviewed and approved. Three of eight (38%) sole source purchases of $25,000 or more did not have evidence of sole source justification approval by the Director of Procurement. Management attributed this to staff turnover, including the Director of Procurement position. Also, the approval requirements are communicated verbally, and the department's written procedures do not clearly define sole source purchase approval requirements.

The absence of required approvals increases the risk of noncompliance with procurement laws and may result in unsupported or unjustified purchasing decisions. This reduces transparency, limits accountability, and exposes the university to potential misuse of funds.

Recommendation

Update and document procedures for sole source purchases to ensure they align with university processes. Enhance monitoring processes to ensure sole source purchases are approved and documentation of the approvals is retained.

Management's Response

Corrective Action: Tarleton's Procurement webpage and linked Procurement Guide and Manual will be updated to ensure that clear, concise guidance is communicated to employees.

To strengthen procurement oversight and ensure compliance with Texas A&M University System policies, an approval workflow has been established within AggieBuy specifically for sole source purchases. This workflow mandates that all sole source requisitions undergo a tiered review process based on the dollar value, culminating in final approval by the appropriate authority. This structured approval path ensures that sole source purchase orders cannot be authorized without the requisite level of scrutiny, thereby promoting transparency and adherence to procurement regulations.

Position Responsible: Director, Procurement Services, Contract Administration and HUB Coordinator

Implementation Date: 10/01/2025

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls over financial management services at Tarleton State University are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Working funds
- Bookstore – financial reporting
- Bookstore – PCI compliance
- Bookstore – reconciliation processes
- Purchasing – sole source purchases
- Account reconciliations
- Bookstore – inventory
- Payment and travel cards – cardholder and approver training
- Payment card transactions
- Travel card transactions
- Voucher transactions

The audit period was primarily September 1, 2023 to December 31, 2024. Fieldwork was conducted from April 2025 to June 2025.

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

Audit Objective	Methodology
Working Funds Determine whether working funds are properly accounted for and in compliance with A&M System and university requirements.	Auditors reviewed relevant A&M System and university requirements and held discussions with key personnel to gain an understanding of the responsibilities and procedures in place for oversight of working funds. A list of working funds and their custodians, along with documentation of the most recent surprise cash counts, was obtained. Training records for working fund custodians were

Audit Objective	Methodology
	reviewed for the timely completion of the required cash handling training. Auditors used professional judgement to select a nonstatistical sample of three working funds based on magnitude and risk and conducted surprise cash counts of those working funds.
Bookstore – Financial Reporting Determine whether financial reporting processes over bookstore operations produce accurate and complete financial information.	Auditors gained an understanding of the process for compiling the financial statements and reports including depreciation, debt service, and deferred maintenance, and tracked departmental fund balances for increasing or decreasing trends.
Bookstore – PCI Compliance Determine whether bookstore operations are in compliance with Payment Card Industry Data Security Standards (PCI DSS) and A&M System requirements.	Auditors reviewed PCI DSS and A&M System requirements and held discussions with key personnel to gain an understanding of the bookstore's processes for completing the PCI self-assessment. The most recent PCI self-assessment was obtained and reviewed for identified deficiencies. Auditors gained an understanding of the processes in place to identify and monitor staff required to complete PCI training. For the population of staff required to complete training, auditors reviewed training records to determine if training was completed in accordance with university and department guidelines.
Bookstore – Reconciliation Processes	Auditors gained an understanding of reconciliation processes for ensuring

Audit Objective	Methodology
Determine the reconciliation processes in place to ensure accuracy and completeness of reported revenue and inventory on hand.	bookstore revenue is complete through discussions with key personnel. Auditors analyzed and compared sales and inventory recorded in the bookstore's point-of-sale system to revenue and inventory recorded in the financial accounting system.
Purchasing – Sole Source Purchases Determine whether sole source purchasing processes are in compliance with A&M System and university requirements.	Auditors reviewed relevant policies and procedures and held discussions with key personnel to gain an understanding of sole source purchasing processes. Auditors used professional judgement to select a nonstatistical sample of ten sole source purchases based on magnitude and risk. Supporting documentation for each of the purchases was reviewed for compliance with requirements and procedures.
Account Reconciliations Determine whether account reconciliations are completed timely and if outstanding items are reasonable.	Auditors reviewed relevant policies and procedures and held discussions with key personnel to gain an understanding of the requirements and processes in place for account reconciliations. Auditors used professional judgement to select a nonstatistical sample of ten account reconciliations based on magnitude and risk. Documentation for the sample was obtained and reviewed for timeliness of preparation and clearing of outstanding items.
Bookstore – Inventory Determine whether the processes for ordering, receiving, and maintaining	Auditors gained an understanding of the procedures for ordering, receiving, and maintaining bookstore inventory

Audit Objective	Methodology
bookstore inventory are sufficiently documented and support appropriate segregation of duties, as well as the security and control of inventory.	through discussions with key personnel. Auditors determined if processes are in place to adequately account for inventory received and sold by reviewing documented procedures for appropriate segregation of duties. Additionally, auditors inquired about and documented the methods used to physically secure and control inventory.
Payment and Travel Cards – Cardholder and Approver Training Determine whether payment and travel cardholders and approvers complete training in accordance with A&M System and university requirements.	Auditors obtained a list of payment and travel cardholders and approvers and reviewed training records for timely completion of required training.
Payment Card Transactions Determine whether payment card transactions are reasonable and in compliance with A&M System and university requirements.	To determine if payment card transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 payment card users, departments, and merchants by dollar and quantity of transactions • transactions not assigned to an expense report • business meal and alcohol purchases • gift card purchases • merchants used by a single cardholder

Audit Objective	Methodology
	• potential duplicated out-of-pocket reimbursements and payment card transactions • payments to third-party payment system vendors • employee and merchant phone number matches Auditors used professional judgement to select a nonstatistical sample of transactions identified through data analysis based on magnitude and risk. Supporting documentation for each of the transactions was reviewed for the following: • detailed supporting documentation • documented business purpose • exclusion of state sales tax • appropriate object codes • timely submission and approver review of expense reports
<u>Travel Card Transactions</u> Determine whether travel card transactions are reasonable and in compliance with A&M System and university requirements.	To determine if travel card transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 travel card users, departments, and merchants by dollar and quantity of transactions • transactions not assigned to an expense report • business meal and alcohol purchases • out-of-country purchases • out-of-state purchases

Audit Objective	Methodology
	• potential duplicated out-of-pocket reimbursements and travel card transactions • employee and merchant phone number matches Auditors used professional judgement to select a nonstatistical sample of transactions identified through data analysis based on magnitude and risk. Supporting documentation for each of the transactions was reviewed for the following: • detailed supporting documentation • documented business purpose • exclusion of state sales tax, where applicable • appropriate object codes • timely submission and approver review of expense reports
<u>Voucher Transactions</u> Determine whether voucher transactions are reasonable and in compliance with A&M System and university requirements.	To determine if voucher transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 departments and vendors by dollar and quantity of transactions • summarized vouchers by pay type/expense code • stratified vouchers by dollar range • business meal and alcohol purchases Auditors used professional judgement to select a nonstatistical sample of transactions identified through data analysis based on magnitude and risk.

Audit Objective	Methodology
	Supporting documentation for each of the transactions was reviewed for the following: • detailed supporting documentation • appropriate procedures for purchases over the delegated limit • appropriate object codes • appropriate calculation of prompt payment interest, if applicable

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 polices, 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
- Tarleton State University Rules and Standard Administrative Procedures
- National Association of College and University Business Officers Financial Accounting and Reporting Manual
- 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

TEXAS A&M UNIVERSITY AT GALVESTON

INFORMATION TECHNOLOGY

August 13, 2025

Amanda Dotson, CPA
Chief Auditor

Project #20250208

Overall Conclusion

Internal controls over information technology at Texas A&M University at Galveston are operating as intended and in compliance with applicable laws and policies.

The university has approximately 318 faculty and over 2,150 students. Information Technology Services (ITS) manages approximately 109 servers and over 2,000 workstations.

Summary Table

Audit Areas	Controls Assessment
IT Contingency Plan and Backups	Effective – No Observations
IT Risk Assessments	Effective – No Observations
Logical Security – Windows Servers	Effective – No Observations
Logical Security – Windows Workstations	Effective – No Observations
Physical Security	Effective – No Observations

Basis of Audit

Objective, Scope, & Methodology

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.

The audit focused on the following areas:

- IT contingency plan and backups
- IT risk assessments
- Logical security – Windows servers
- Logical security – Windows workstations
- Physical security

The audit period was primarily May 1, 2024 to April 30, 2025. Fieldwork was conducted from May 2025 to July 2025.

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

Audit Objective	Methodology
IT Contingency Plans and Backups Determine whether IT contingency plans are in place that meet the applicable requirements set forth by the state, system, and university. Determine whether tests of the IT contingency plans are conducted. Determine if data backups are being performed, tested, and properly protected.	Auditors interviewed key personnel to gain an understanding of IT contingency planning processes and procedures in place. The IT contingency procedures were reviewed to ensure compliance with state, A&M System, and university requirements and that sufficient documentation of the shutdown and recovery processes is maintained. Auditors obtained and reviewed documentation of recent disaster recovery tests to ensure that they were performed and documented. Auditors also reviewed backup procedures and selected a sample of

Audit Objective	Methodology
	ten servers identified as being mission critical from the sample of servers used for logical security testing. For the servers selected, auditors obtained and reviewed documentation to verify that backups are being performed, tested, and adequately protected from ransomware attacks.
IT Risk Assessments Determine if IT risk assessments are being performed in accordance with state laws and system policies.	Auditors gained an understanding of the procedures and monitoring processes in place for the completion of the annual IT risk assessment. The IT risk assessment summary report was obtained and reviewed to determine whether risk assessments were formally approved by the CEO.
Logical Security – Windows Servers Determine whether logical security controls for Windows servers are operating as intended and in compliance with applicable state, system, and university requirements.	Auditors gained an understanding of the procedures and monitoring processes in place to ensure logical security controls for Windows servers are working as intended and in compliance with applicable state, system, and university requirements. Auditors used professional judgment to select a nonstatistical sample of 20 Windows servers and reviewed system configuration history to verify logical security controls in the following areas: • password policy • patch management • anti-virus software • data loss prevention software • less safe practices • supported operating systems • supported software versions in use

Audit Objective	Methodology
	• pre-logon banner • multi-factor authentication Vendor resources were utilized to identify critical security patches released during the audit period. System settings were compared to applicable state, system, and university requirements.
<u>Logical Security – Windows Workstations</u> Determine whether logical security controls for Windows workstations are operating as intended and in compliance with applicable state, system, and university requirements.	Auditors gained an understanding of the procedures and monitoring processes in place to ensure logical security controls for Windows workstations are working as intended and in compliance with applicable state, system, and university requirements. Auditors used professional judgment to select a nonstatistical sample of 31 Windows workstations and reviewed system configuration history to verify logical security controls in the following areas: • password policy • patch management • anti-virus software • data loss prevention software • local administrator accounts • supported operating systems • supported software versions in use • pre-logon banner Vendor resources were utilized to identify critical security patches released during the audit period. System settings were compared to

Audit Objective	Methodology
	applicable state, system, and university requirements.
Physical Security Determine whether physical security and environmental controls are in place and operating as intended in the university's data centers.	Auditors gained an understanding of the procedures and monitoring processes to ensure physical and environmental controls are in place and are operating as intended and in compliance with applicable state, system, and university requirements. A walkthrough of the two data centers was performed to determine if physical security and environmental controls are appropriate and in compliance with university rules, procedures, and controls. Additional supporting documentation was obtained to assess the physical security and environmental controls. Access logs for the data centers were obtained and reviewed.

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 polices, 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 Government Code
- Texas Administrative Code
- Texas Department of Information Resources Security Control Standards Catalog
- 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.

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System Internal Audit

THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M ENGINEERING EXPRIEMENT STATION

FINANCIAL MANAGEMENT SERVICES

August 13, 2025

Amanda Dotson, CPA
Chief Auditor

Project #20252802

Overall Conclusion

Internal controls over financial management services at Texas A&M Engineering Experiment Station (TEES) are operating as intended and in compliance with applicable laws and policies.

TEES had $242,671,786 in operating revenue and $268,215,884 in operating expenses in fiscal year 2024. At the time of audit fieldwork, there were 47 financial accounts being reconciled, 473 payment cards, and 1,297 travel cards.

Summary Table

Audit Areas	Controls Assessment
Account Reconciliations	Effective – No Observations
Accounts Receivable	Effective – No Observations
Disbursement Approver Training	Effective – No Observations
Gift Cards	Effective – No Observations
Payment Cards	Effective – No Observations
Travel Cards	Effective – No Observations
Vouchers	Effective – No Observations

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 Engineering Experiment Station are operating as intended and in compliance with applicable laws and policies.

The audit focused on the following areas:

- Account reconciliations
- Accounts receivable
- Disbursement approver training
- Gift cards
- Payment cards
- Travel cards
- Vouchers

The audit period was primarily September 2023 to December 2024. Fieldwork was conducted from March 2025 to July 2025.

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

Audit Objective	Methodology
Account Reconciliations Determine whether account reconciliations are completed timely and if outstanding items are reasonable.	Auditors reviewed relevant policies and procedures and held discussions with key personnel to gain an understanding of the requirements and processes in place for non-payroll account reconciliations. Auditors used professional judgement to select a nonstatistical sample of fifteen account reconciliations based on magnitude and risk. Documentation for the sample was obtained and reviewed for timeliness of preparation and approval, and clearing of outstanding items. The sample included reconciliations from April 2025 to

Audit Objective	Methodology
	assess the impact of recent process improvements.
Accounts Receivable Determine whether aged receivables have had demand letters sent, been referred to collections, collection attempts are recorded, and comply with the state hold process, as required, in an appropriate and timely manner.	Auditors obtained and reviewed aged receivables and invoice reports for non-sponsored research and non-internal customers, noting the age of outstanding items.
Disbursement Approver Training Determine whether employees responsible for reviewing and approving payment and travel card expense reports have completed required training.	For the population of employees responsible for reviewing and approving payment and travel card transactions and travel requests, the auditor reviewed training records to determine if payment card approver training had been completed as required.
Gift Cards Determine whether gift cards purchased on agency payment or travel cards are reasonable and in compliance with procedures.	To determine if gift card purchases were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze payment and travel card transactions.
Payment Cards Determine whether payment card transactions are reasonable and in compliance with procedures.	To determine if payment card transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 payment card users, departments, and merchants by dollar and quantity of transactions • transactions not assigned to an expense report

Audit Objective	Methodology
	• business meal and alcohol purchases • merchants used by a single cardholder • payments to third-party payment system vendors • employee and merchant phone number matches
Travel Cards Determine whether travel card transactions are reasonable and in compliance with procedures.	To determine if travel card transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 travel card users, departments, and merchants by dollar and quantity of transactions • transactions not assigned to an expense report • business meal and alcohol purchases • out-of-country purchases • out-of-state purchases • potential duplicated out-of-pocket reimbursements and travel card transactions • employee and merchant phone number matches
Vouchers Determine whether voucher transactions are reasonable and in compliance with procedures.	To determine if voucher transactions were reasonable and in compliance with A&M System and university requirements, auditors used data analysis to identify and analyze the following: • top 25 departments and vendors by dollar and quantity of transactions

Audit Objective	Methodology
	• summarized vouchers by pay type/expense code • stratified vouchers by dollar range • business meal and alcohol purchases

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 polices, 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.

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