TEXAS A&M SYSTEM

PROJECT SUMMARY

Overview

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While Prairie View A&M University has made progress toward implementation of prior audit recommendations, the University has done so primarily in a reactive fashion that focused on addressing the specific problems rather than the underlying control procedure weaknesses. As a result, some of the same operational weaknesses are still present, which suggests a lack of effective systems of internal controls that can be relied upon to minimize the organization's risks.

Overall, the implementation status of prior audit recommendations made in the State Auditor's Office (SAO) Report No. 04-009 issued in November 2003 is considered "partially implemented" based upon the results of our audit, rather than "implemented" as previously reported by management. Of the nine prior audit recommendations, five are considered partially implemented. The four areas fully implemented were accounts payable balances, grant and contract management, performance measure reporting, and information technology. Areas not fully implemented include receivables, bank reconciliations, encumbrances, and travel expenditures. Continued opportunities for improvements also exist in non-travel cash advances, cashier working fund management, and property management.

Summary of Significant Results

Implementation of Prior Audit Recommendations

The implementation status of all the prior SAO audit recommendations was not fully implemented. Five of the prior recommendations are only considered partially implemented. Our review indicates that much of the work that has been done to address the SAO's recommendations has focused on remedying specific identified issues rather than addressing the underlying procedural weaknesses. As a result, we have observed some of the same issues in current operations that were identified in the SAO's report. These include the timely clearing of outstanding items in reconciliations, encumbrance reports, non-travel cash advances, and inaccuracies in account balances.

Strengthening of overall fiscal management as well as controls in the specific areas identified in the prior SAO audit (accounts receivable outstanding checks, travel reimbursements, and encumbrances) is needed.

Cashier Working Fund

Improvement in accounting for the University's $75,000 cashier working fund would strengthen controls and reduce the risk of loss. Funds were present and accounted for; however, improvements should be made in accounting methods, fund replenishments, security over cash drawers, and segregation of duties.

Property and Equipment Management

Improvements in the efficiency of the Property Office operations and the accountability of the University's Accountable Property Officers would reduce the risk of loss of resources.

Summary of Management's Response

Management appreciates the System Internal Audit Department's efforts to identify areas needing improvement and steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing remaining issues and are developing or enhancing procedures to address these issues.

Scope

The System Internal Audit Department has completed a review of the University's financial management services that focused primarily on the implementation status of recommendations in the State Auditor's Office (SAO) Report No. 04-009, Financial Review of Prairie View A&M University, issued in November 2003. Areas related to the SAO recommendations included accounts receivable, past due receivables, bank reconciliations, sales tax payables, encumbrances, non-payroll expenditures, contract management (purchasing contracts), performance measures, and information technology. In addition, we reviewed property and equipment management and conducted a count of the cashier working fund. Transactions and activities related to these areas were reviewed for the period September 2003 through February 2005. The audit fieldwork was primarily conducted from April 2005 to July 2005.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Fiscal Management

Observation

Recurring observations indicate that management is not taking long-term, sustainable corrective actions to address procedural control weaknesses.

Our review indicates that although actions have been taken to address the specific issues raised in the prior SAO report, sustainable control systems that address the underlying procedural weaknesses have not been successfully established. The most notable weaknesses include the lack of timeliness in making decisions to resolve outstanding items, the amount of time spent researching old transactions, and errors that continue to be made in current operations.

Old outstanding items

Processes were not in place to resolve old outstanding items. After the responsible party exhausted their effort to resolve an outstanding item, the item was carried each month without a resolution plan. Examples of old outstanding items include:

- Outstanding checks dating back to 1992
- Outstanding items on a working fund reconciliation dating back to 1992
- Holding checks written in December 2003 while researching for possible offsetting items that date back to 1991
- Outstanding cash advances dating back to 1998 for employees who no longer work at the University.

Errors

During our review, errors related to current processes were encountered in several areas, including the following:

- The development of the reconciliations recommended in the prior audit has identified errors. For example, the Perkins loan reconciliation revealed that there was an error in the monthly entry for recording collection fee expenses, an error that had occurred each month over a long period of time.

1. Fiscal Management (cont.)

- The telephone sales tax account balance does not reflect the actual liability incurred each month, indicating an error in posting transactions.

- Monthly calculations to prepare a report for submitting funds to the state did not take into account fiscal year end balances and incorrectly calculated the September amounts for remittance to the State Controller.

Without well established and consistently followed financial and management control processes, the University will continue to encounter the same type of issues identified in prior audits and the current audit. The risk of resources not being used efficiently and effectively and in compliance with laws, policies, and regulations will continue to be high until long-term sustainable corrective actions are taken.

Recommendation

Obtain the knowledge and skills necessary to establish an effective internal control system over fiscal operations at the University. The internal control system should include processes and procedures to address the underlying procedural weaknesses identified in this audit, development of a well-trained staff that consistently follows the established processes, and monitoring and oversight by management to identify problems and weaknesses in order to take corrective actions as necessary.

Management's Response

The old outstanding items listed in this finding, with the exception of cash advances to employees which will be cleared by January 31, 2006, have been cleared. The entry error discovered by University personnel in the performance of the Perkins reconciliation and the other errors noted have been corrected. Procedures have been developed to ensure that these errors are prevented or detected and corrected in a timely manner. All fiscal procedures will be reviewed with a pre-determined time table with a special focus on inclusion of monitoring practices to engage departmental management personnel in the enforcement of internal control by May 31, 2006. Recognizing that the responsibility for effective internal control is University wide, the University is developing reconciliation training for all Deans, Directors, and Department Heads to be completed by September 30, 2006. While the University concludes the search to fill the new position of Associate Controller, a very experienced, long-term Texas A&M University accounting professional has been

1. Fiscal Management (cont.)

engaged on a temporary basis to assist with developing fiscal controls and monitoring compliance.

2. Accounts Receivable

Significant progress has been made in developing reconciliations recommended in the prior SAO audit. However, the reconciliation of student receivables, student loan account adjustments, and departmental receivables were not yet current at the time of our audit. The University has recently executed contracts with collection agencies to take aggressive actions to collect outstanding accounts receivable.

2a. Reconciliation of Student Receivables *(Prior Audit Issue)*

Observation

The reconciliation of the student information system to FAMIS is not current.

While a reconciliation process of the student information system (SIS+) to the Financial Accounting Management Information System (FAMIS) has been developed, the reconciliation is not yet current. The February 2005 reconciliation had approximately 400 reconciling items, many of which date back to 2003. An employee is in the process of researching the old items. Without clearing the old reconciling items, it is difficult to identify and address current outstanding items in a timely manner.

Reconciling the SIS+ to FAMIS is important to determine that any differences between the two systems have been identified and resolved and ensure that the University financial system information is accurate and reliable for annual financial reporting of student receivables.

Recommendation

Clear old, outstanding reconciling items and establish a process to ensure that reconciling items are addressed in a timely manner in the normal course of operations.

Management's Response

The temporary position which was created to complete the reconciliation and to assist with clearing the old outstanding items has become a permanent position and an additional temporary position to be filled with an experienced fiscal professional has been created to address the receivables and other issues. We will also automate the SIS to FAMIS feed to reduce the manual data entry of transactions and make the process more efficient. We will

2a. Reconciliation of Student Receivables (cont.)

implement this process by May 1, 2006. All outstanding items greater than 90 days old, with the exception of timing entries that are due to Spring early registration, will be cleared by May 31, 2006.

2b. Perkins Loans *(Prior Audit Issue)*

Observation

Student loans receivable was significantly overstated on the 2004 Annual Financial Report.

The amount recorded for the University as outstanding loans assigned to the federal government (deemed uncollectible) had not been adjusted since 1992. This amount was understated by $494,000 resulting in an overstatement of Perkins loans receivable on the University's 2004 Annual Financial Report (AFR) by that amount. Since the loan service agency subsidiary records were not reconciled to FAMIS until the current fiscal year, the incorrect balances were not identified prior to preparing the 2004 AFR. Adjustments related to these loans were not posted to FAMIS in 1993 when the assignment for uncollectible loans was made to the federal government.

In addition, the loans assigned to the federal government which are considered written off are still included in the general ledger. These loans have been assigned because they are no longer considered to be collectable, and the detail records are retained and tracked in the subsidiary ledger maintained by the loan service agency.

Although the Perkins loan reconciliations have been developed and are being performed monthly, the June 2005 reconciliation contained several reconciling items from the prior fiscal year that were still unresolved. Some of these items require subsidiary ledger adjustments by the loan service agency.

Recommendation

Establish a process to ensure that necessary adjustments are posted and year-end balances are accurate. Write off loans assigned to the federal government since these loans are considered uncollectible and detail records are retained by the loan service agency and not the University. Establish procedures to ensure that reconciling items are cleared in a timely manner.

Management's Response

The understatement discovered when Perkins reconciliations began in Fiscal Year 2005 was corrected prior to the preparation of the University's 2005 Annual Financial Report. Loans assigned to the federal government have also been written off. Perkins Loan

2b. Perkins Loans (cont.)

reconciliations are being performed and are current. The procedures developed to perform the reconciliation will be issued in writing by January 31, 2006.

2c. Departmental Receivables *(Prior Audit Issue)*

Observation

Departmental accounts receivables are not current.

A large number of old, outstanding departmental accounts receivables, approximately 180 dating back to 1991, remain open although they appear to be uncollectible. Total departmental receivables as of May 31, 2005 were $2.6 million, including approximately $1.6 million greater than 365 days old. (Note: The receivable from the City of Prairie View related to prior wastewater billings was approximately $1.2 million.) Effective June 1, 2005, the University has contracts with collection agencies to provide additional collection efforts for departmental receivables. The University sends monthly aged accounts receivables reports to the departments, but does not have any monitoring processes to require departments to review and write-off receivables in a timely manner.

Monitoring of aged accounts receivables by the fiscal office would ensure that departments are actually managing their accounts and receivables are referred to a collection agency for additional collection efforts and, if necessary, written-off in a timely manner. Accounts receivables represent assets of the University. Without timely review and write-off of uncollectible items, the accounts do not accurately reflect the University's assets.

Recommendation

Complete the review of aged departmental receivables and write off accounts that are deemed uncollectible. Establish monitoring procedures to ensure that departments are actively pursuing efforts to collect past due accounts and write off accounts as they are deemed uncollectible.

Management's Response

The University does set up an allowance for bad debts to ensure that necessary adjustments are posted and year-end balances are accurate for departmental accounts receivable. An agreement with the City of Prairie View, which was being negotiated at the time of the audit, has been finalized. We are in the process of reviewing aged departmental receivables and are writing off departmental receivables deemed as uncollectible. This process has been completed for Parking and Insurance Premium receivables. The

2c. Departmental Receivables (cont.)

receivables listing will be reviewed quarterly with the Vice President for Business Affairs to determine the actions to be taken. The first quarterly meeting will be March 15, 2006.

3. Outstanding Checks

3a. Clearing Outstanding Checks *(Prior Audit Issue)*

Observation

Bank reconciliations are prepared on a timely basis; however, improvements are needed in procedures for clearing outstanding items.

Bank reconciliations are current; however, transactions were not completed to clear all outstanding checks. The process for clearing outstanding checks included a transaction to void the check and another transaction to move the item to an unclaimed property account. The University voided approximately 4,000 outstanding checks between January 31, 2005 and April 30, 2005. Although checks were voided, all transactions were not posted to move items to unclaimed property. Three of the five voided checks reviewed were not fully cleared and posted to unclaimed property as part of the process of clearing the old outstanding checks. For each check voided, originally issued in 1992, research was being performed prior to moving the item to unclaimed property. Review and research of outstanding checks in a timely manner, such as at 120 days, provides a much greater opportunity to determine why the check remains outstanding and to resolve any issues to clear the checks. The older checks become, the more difficult it is to accurately determine if the checks were issued in error, if they are truly outstanding items that have been unclaimed, or if inappropriate actions have been taken relevant to checks.

Recommendation

Establish procedures to fully clear outstanding checks and move to unclaimed property in a timely manner. As part of the bank reconciliation procedures, review and research outstanding checks to determine if checks were issued in error, and make any necessary corrections in a timely manner.

Management's Response

We agree that old outstanding checks were being reviewed and all had not been removed and cleared from our ledgers. We have completed the required research for these items and cleared them. Clearing the old items has now made timely review of current items possible. We have drafted and will issue by January 31, 2006 procedures which require movement of items to unclaimed funds

3a. Clearing Outstanding Checks (cont.)

within the State Guidelines for Unclaimed Property transactions. We are current with this process.

3b. Holding Checks

Observation

Printed checks included on the outstanding check list were held in a desk drawer for approximately eighteen months.

Checks dated in December 2003 and issued to the Comptroller of Public Accounts totaling approximately $590,000 were stamped "VOID" and held in a locked cabinet for eighteen months. These checks were not voided in FAMIS and were recorded as outstanding checks on the bank reconciliation. The University was conducting research to determine if there were any possible offsetting reimbursements related to employee benefits, some of which dated back to 1991. The checks issued to the Comptroller of Public Accounts were related to reimbursements for interim construction funds made by the University and were unrelated to the items being researched.

Although there may have been funds due both to the State Comptroller and from the State Comptroller, they were unrelated and should be recorded as separate transactions. It is not appropriate to net these separate transactions against each other.

Recommendation

Remit funds due to the State Comptroller of Public Accounts. Eliminate the practice of holding checks and combining unrelated transactions. Establish procedures that review outstanding checks and take actions to resolve outstanding issues in a timely manner.

Management's Response

Holding checks does not represent standard practice. This was an isolated occurrence. The outstanding check procedures noted in the previous finding will ensure that the checks are not combined with unrelated transactions. The Fiscal Office will review all checks over 90 days old and provide a monthly report of this review for the Vice President for Business Affairs. This process will be in place by January 31, 2006.

4. Purchasing

Process improvements are needed in the areas of travel vouchers, encumbrances, and non-travel advances.

4a. Travel Vouchers *(Prior Audit Issue)*

Improvements are needed in supporting documentation for travel reimbursements.

Three of twelve (25%) travel vouchers reviewed did not have adequate supporting documentation. Employees did not understand the documentation requirements. Two travel vouchers did not have sufficient mileage documentation. The travelers did not use the Texas Mileage Guide or submit odometer readings for actual mileage. One traveler submitted an Internet map and the other did not submit any support. Another voucher for group student travel had invoices rather than receipts as support for meal charges paid from a cash advance. Invoices can be obtained without actually paying for the product, and do not support that the expenditure has occurred. Documentation requirements are outlined in the State of Texas Travel Allowance Guide.

Recommendation

Management should:

- Require copies of mileage reimbursement calculation from the Texas Mileage Guide or odometer readings for point-to-point travel.
- Require documentation that supports expenditures made for group student travel.

Management's Response

As of January 2, 2006, we will require that the Texas Mileage Guide be used or, when odometer readings are used, that beginning and ending odometer readings be listed on the documentation. We agree that receipts rather than invoices are appropriate documentation. The instance noted in the audit regarding group student travel was an exception. Travel Office employees attend training and we conduct travel training for University travelers. We will emphasize required documentation in future classes.

4b. Encumbrances *(Prior Audit Issue)*

Observation

Encumbrances are not cleared in a timely manner.

The University does not properly or timely clear encumbrances. Encumbrances are commitments for services or goods made prior to the end of the reporting period, but where the good or service has not been received by the end of the reporting period. Four of five encumbrances selected from the 8/31/04 report did not

4b. Encumbrances (cont.)

represent binding commitments at fiscal year end, as indicated below:

- An invoiced amount was less than the encumbrance amount, yet the remaining amount over the invoice was not cleared.
- An encumbrance for a magazine subscription for the prior fiscal year was not cleared.
- An expenditure was paid from a different cost code than the code on the original encumbrance, and the original encumbrance was not cleared when the payment was processed.
- A travel encumbrance for an employee that has not been with the University since December 2003 had not been cleared.

While considerable time was spent clearing encumbrances at the 2003 fiscal year end, efforts to continue properly clearing encumbrances have diminished. Routine processes do not effectively incorporate reviewing and clearing encumbrances in a timely manner. Incorrect encumbrance reports mislead the University as to outstanding commitments, and prevent the University from using these funds for other purposes.

Recommendation

Properly clear encumbrances in a timely manner. Prioritize clearing incorrect encumbrances. Aggressively pursue monthly commitments to ensure the report accurately reflects binding encumbrances.

Management's Response

Currently Accounts Payable and Travel Office personnel review encumbrances when processing invoices and assign a code to indicate when all items have been billed. The responsibility for a monthly review of a FAMIS report to identify and liquidate residual and unwarranted encumbrances is assigned to the Procurement Coordinator and the Travel Coordinator. Departments are now being contacted to assist in identifying invalid encumbrances. Training for statement of account reconciling will be provided for all departments by September 1, 2006.

4c. Non-travel Advances

Observation

Non-travel cash advance procedures have weak controls.

The controls over non-travel cash advances are weak, and in some cases other established processes, such as requisitions and vendor billing to the University, are overridden when non-travel advances are provided. Procedures are not in place to ensure advances are cleared on a timely basis. Reports are not mathematically accurate, and do not provide the most useful information for monitoring outstanding advances.

Procedures do not ensure that outstanding advances are cleared within ten business days as required by University administrative procedures. Twenty-four of the thirty-six (67%) outstanding advances reviewed were not cleared within fifteen business days. Five outstanding items were issued in previous fiscal years, three of which were issued to individuals that are no longer employed at the University. One of these advances was issued in 1998 and another in 1999. No process was in place to resolve these old outstanding items.

Non-travel advance records are maintained in manual ledgers, rather than in a FAMIS clearing account. (Travel advances are recorded in a FAMIS clearing account.) The information from the ledger is posted to a spreadsheet. The two monthly spreadsheet reports reviewed had incorrect total amounts. The spreadsheet was not correctly formatted and the report was not recalculated to ensure accuracy. The reports included dates the non-travel advance was approved to be issued, but did not include the dates the individuals received the checks. These reports do not provide all the necessary information of effective monitoring of outstanding advances.

A lack of effective controls over non-cash advances increases the risk that funds will be lost from errors or misappropriation.

Recommendation

Consider other methods of payment to eliminate non-travel advances. Record non-travel advances in FAMIS and eliminate the manual ledger system for maintaining non-travel advance records. Establish procedures to ensure that advances are cleared in a timely manner in compliance with the University's Administrative Procedures Manual, and that timely and accurate reports are provided to management on outstanding advances. Resolve old outstanding items carried on the manual system.

Management's Response

4c. Non-travel Advances (cont.)

The University is implementing a procurement card process as a replacement payment method. Once fully implemented, by February 15, 2006, non-travel advances will only exist on an exception basis and will be recorded in FAMIS. Items outstanding prior to fiscal year 2005 will be reviewed with the Vice President for Business Affairs for determination of further action to be taken to resolve these items by December 31, 2005.

5. Cashier Working Fund

Observation

Controls over cashier working funds can be strengthened.

While the $75,000 cashier working fund was present and accounted for at the time of the unannounced cash count conducted by the auditors, improvements to controls are needed in several areas to further reduce the risk of potential cash losses.

The following weaknesses in controls/processes were identified:

- The FAMIS account subcode used to record the cashier working fund was not restricted to only cashier working fund transactions (increases or decreases in the fund amount). Other cash transactions were posted to this subcode making it difficult to determine the exact amount of working funds that should be on hand at any point in time. There was a monthly reconciliation between the subcode balance and the working fund. The reconciliation contained outstanding reconciling items dating back to 1992, and there was no process in place to resolve these old items. The cashier working fund should be accounted for separately – the account control balance should reflect the amount of the working fund to be accounted for on any date.

- Cash replenishments are not made on a timely basis. At the time of the cash count, a reimbursement check dated May 5, 2005 for $37,775.61 was on hand to be cashed. Supporting vouchers for this check were dated from April 8, 2005. Other reimbursement vouchers on hand at the time of the cash count totaled $24,381.58. A check had not yet been prepared for these vouchers. Of the $75,000 working fund, $62,157 (83%) was pending cash reimbursement. With more timely reimbursement, a lower fund amount may be adequate to support the cashier function.

5. Cashier Working Fund (cont.)

- Individual accountability for cash drawers is not maintained at all times. Cashiers do not lock their drawers when they leave the cashier area to make copies. System Regulation 21.01.02 states, "Cash funds shall be the specific responsibility of a designated individual, and that individual must retain custody and control over the cash funds for which he/she is responsible at all times." This actually protects the interest of the cashier by reducing the access to the cash.

- Duties are not fully segregated related to monitoring of prenumbered, manual receipts used by the cashiers. The individuals with responsibility for issuing and monitoring receipts also have cashier duties. The duties of issuing and monitoring receipts and actually using the receipts as a cashier should be divided, or segregated, among different people to reduce the risk of undetected errors or inappropriate actions.

Cash in the safe is counted on a monthly basis. Frequent counts of cash in the safe along with up-to-date records on all cash safe fund transactions reduces the risk that losses could occur without detection. Periodic inventory and review of any other items stored in the safe ensures that all items are handled in a timely manner and resolved appropriately.

Recommendation

Management should:

- Record cashier working funds in a separate FAMIS subcode, and resolve the old outstanding reconciling items on the monthly working fund reconciliation.

- Replenish cash funds on a timely basis, and review and assess the amount of cash funds needed. Reduce the working fund amount as appropriate.

- Establish procedures to ensure that individual accountability for cashier drawers is maintained at all times.

- Segregate duties related to issuing and monitoring prenumbered cash receipts and cashiering.

- Count cash in the safe frequently (at least weekly), and periodically inventory and make timely resolution of items stored in the safe.

Management's Response

5. Cashier Working Fund (cont.)

- *As of September 1, 2005, a separate ledger account and subcode are being used to account for the cashier working fund. The old outstanding reconciling items have been written off.*
- *The replenishment process has been streamlined and is now occurring on a more timely basis. A review of the cashier working fund will be performed to assess the fund amount needed by March 31, 2006.*
- *Cashiering procedures are now being utilized which ensure that individual accountability for cashier drawers is maintained at all times.*
- *Segregation of duties related to monitoring of prenumbered receipts has been accomplished by assigning this task to the Staff Assistant in Treasury Services.*
- *Weekly counts of cash in the safe will begin immediately.*

6. Property and Equipment Management

Observation

Improvements in efficiency and accountability may increase effectiveness of the property management program.

Efficiency and Effectiveness
The University has not taken advantage of the capability of using a bar code system that interfaces with the property module in FAMIS. The University uses preprinted tags and maintains logs for these tags. Tag numbers are manually assigned and then entered into the FAMIS property module, although FAMIS can assign asset numbers and print bar code labels. Bar code readers can then be used in the field by Property Office personnel to more efficiently track and monitor assets. Increasing efficiencies for the small number of Property Office personnel that are responsible for monitoring assets throughout the campus could provide for greater coverage and more effective monitoring. Audit test work conducted shortly after the annual physical inventory certifications indicated that additional monitoring may be needed to increase compliance with established property controls. Our tests consisted of tracing items from the inventory record to the physical asset (29 items), and tracing physical assets back to the inventory record (30 items). Exceptions to Texas A&M System property policies noted during our audit tests include the following:

6. Property and Equipment Management (cont.)

- Five of twenty-nine (18%) assets selected from the inventory record could not be located at the time of testing.

- Five of fifty-nine (9%) assets tested were not in the locations recorded on the inventory record.

- Twenty-three of fifty-nine (39%) assets tested were missing data on the automated property module (location and/or serial number).

- Four of fifty-nine (7%) assets tested had a different serial number than that listed on the property module.

- Four of fifty-nine (7%) assets tested were not permanently tagged.

The A&M System Equipment Management Manual sets forth policies for management of property and equipment which provide for the security, identification, and location of assets to decrease the risk that assets will be misplaced or misappropriated.

Accountability

The University completed the annual physical property inventory certification process by the departments. All thirty departments selected for review had submitted their inventory certification. Of those, six certification forms had signatures that did not match the accountable or alternate property officer responsibility forms on file. Signed statements outlining the responsibilities and accountability of property officers at each department had recently been updated and were on file at the Property Office. However, annual certifications did not require these property officers to sign and take responsibility for the annual physical inventory and certification. Requiring signed responsibility statements does increase accountability. Accountability is further enhanced by having these same individuals sign certification and other property documents submitted from the departments to the Property Officer.

Another opportunity to increase accountability would be to give all departmental property officers access to view their departmental property records on the FAMIS property module. Departmental property officers would have current inventory information throughout the year on the assets for which they are held responsible.

Recommendation

6. Property and Equipment Management (cont.)

Continue efforts to increase accountability by requiring property officers to sign and take responsibility for the annual physical inventory and certification. Provide training and grant FAMIS property module access to property officers for the assets under their responsibility. Ensure that property officer responsibilities are included in position descriptions and addressed in the annual employee evaluation process. Implement a bar code system to provide efficiencies and aid in monitoring processes to increase compliance with the A&M System Equipment Management Manual and ensure that property resources are safeguarded from misuse and misappropriation.

Management's Response

Accounting Services has issued a liability form to be signed by every department. The signature on the liability form will be the one required on the certified physical inventory form. A revision of the Alternate Property Officer responsibilities in the Asset Management Guide has been drafted and will be reviewed and released by February 28, 2006. Accounting Services will include this information in departmental training sessions. The University will begin implementation of a bar coding system (Incircuit). Property Officers will be allowed FAMIS property module access for online updating of asset location information. The target date for implementation and granting of access is September 1, 2006.

BASIS OF REVIEW

Objective

The objective of the review was to evaluate the financial and management controls over the University's financial management services' operations as related to the areas audited in a prior State Auditor's Office audit. We primarily conducted a follow-up review on prior audit recommendations from the State Auditor's Office Report No. 04-009, Financial Review of Prairie View A&M University issued in November 2003.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual and the Equipment Management Manual of The Texas A&M University System; Prairie View A&M University Administrative Procedures; the Treadway Commission's Committee of Sponsoring Organization's Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors' "Standards for the Professional Practice of Internal Auditing."

Background

The goals of the University's Division of Finance and Administration are to continue building a strong and sound financial background, continue to improve on the delivery of services, enhance internal audit processes to become more pro-active in identifying and resolving problems, continue to grow our endowment and improve our overall management process. The Fiscal Affairs Office, a part of the University's Division of Finance and Administration, provides financial services and support to the University. Fiscal Affairs has forty-six employees and had annual expenditures of approximately $2 million in fiscal year 2005.

AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Sandy Ordner, CPA, Project Manager
Kimberly Ruthledge, CIA
Tracey Sadler, CIA
Katie Rannebarger

Contact Information

For questions regarding this review, contact Dick Dinan, Director.

E-Mail: D-Dinan@tamu.edu
Phone: (979) 458-7144
Fax: (979) 458-7111
Web Site: http://sago.tamu.edu/iaudit

The Texas A&M University System
System Internal Audit Department
1200 TAMU
College Station, TX 77843-1200

200 Technology Way, Suite 2192
College Station, TX 77845-3424

DISTRIBUTION LIST

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