



The Audit of Texas A&M University – San Antonio's Fiscal Year 2010 Financial Statements

John Keel, CPA
State Auditor

July 5, 2011

Members of the Legislative Audit Committee:

In our audit report dated June 10, 2011, we concluded that Texas A&M University – San Antonio's (University) basic financial statements for fiscal year 2010 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America. The University published our audit report as part of its basic financial statements, which it intends to post on its Web site at www.tamusa.tamus.edu.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. In that report, auditors identified the following significant deficiencies:

- The University's initial calculation of tuition discounts and allowances and grant amounts was inaccurate because it was not based on the related student activity that occurred during fiscal year 2010. After auditors brought this matter to the University's attention, it corrected this error.
- The University's journal entry process did not include a supervisory review of all journal vouchers. This represents a significant deficiency in the University's control structure because it could allow for the direct entry of material errors that could go undetected.

Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting or on compliance with laws and regulations.

Auditors also communicated certain issues that were not material or significant to the audit objectives in writing to the University's management.

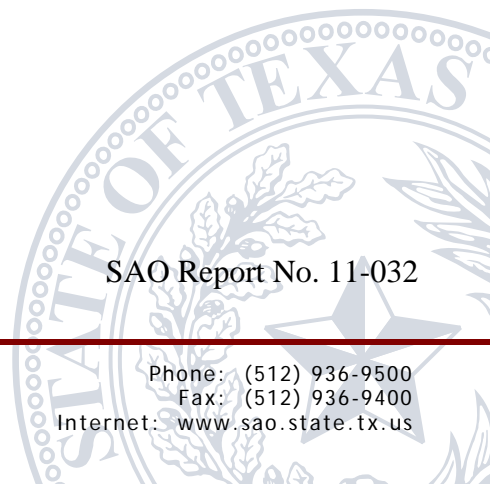
As required by auditing standards, we will also communicate to the University's board of regents certain matters related to the conduct of a financial statement audit.

We appreciate the University's cooperation during this audit. If you have any questions, please contact Verma Elliott, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

SAO Report No. 11-032



Attachment

cc: Members of the Texas A&M University System Board of Regents

Mr. Richard A. Box, Chair

Mr. Phil Adams, Vice Chair

Mr. Morris E. Foster

Ms. Elaine Mendoza

Ms. Judy Morgan

Mr. Jim Schweitzer

Mr. Cliff Thomas

Mr. John D. White

Mr. James P. Wilson

Mr. Fernando Trevino, Jr. (Student Regent)

Mr. Jay Kimbrough, Deputy Chancellor and Interim Chancellor, Texas A&M University System

Dr. Maria Hernandez Ferrier, President, Texas A&M University – San Antonio



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.state.tx.us.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.

Attachment

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Express an opinion on whether Texas A&M University – San Antonio’s (University) fiscal year 2010 basic financial statements are fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles.
- Report on any significant deficiencies and material weaknesses in internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Scope

The audit scope covered the University’s basic financial statements for fiscal year 2010.

Methodology

The audit methodology included assessing the reliability of student detail data and financial reporting data by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the system that produced the data, and (3) interviewing University officials knowledgeable about the data. Auditors determined that the data was sufficiently reliable for the purposes of this audit. Specifically, auditors:

- Established data reliability through record counts and reconciliation of processed data amounts to source data.
- Determined that data input controls were adequate to ensure the completeness, accuracy, and authorization of the data.
- Determined that data processing controls were adequate to ensure the completeness, accuracy, and timeliness of the data; authorization of system processing; correction of errors; and management of the database.
- Determined that data output controls were adequate to ensure completeness, timeliness, and authorization of outputs.

Information collected and reviewed included the following:

- Student financial disbursement data for the 2009–2010 school term.
- Student loan records that included student loan contracts and student detail information for outstanding loans.
- Capital asset property records and equipment acquisition records.
- Student tuition and fees schedules and student tuition detail information.
- Payroll records and associated payroll policies and procedures.

Procedures and tests conducted included the following:

- Traced reported financial information to supporting general ledger totals.
- Checked the mathematical accuracy of and verified the internal consistency of reported financial information.
- Evaluated the journal voucher process and reviewed adjusting journal entries, unusual material transactions, and individually significant transactions for appropriateness, adequate authorization, and indicators of potential fraud.
- Evaluated the accounting period closing process and reviewed balances in significant clearing accounts.
- Reviewed the reconciliation of student detail information to the related financial system.
- Recalculated discounts and allowances, emergency loan amounts, and payrolls.
- Reviewed the reconciliations of cash to bank records.
- Reviewed reconciliations of daily loan transactions.
- Reviewed year-end reconciliation of capital assets between University and state asset system, tested a sample of capital assets, recalculated depreciation expense, and compared reported capital assets to reported financial information.
- Tested a sample of salary and wage payments to determine whether payments were accurate and adequately supported, and re-created payroll-related reconciliations to determine whether amounts reconciled were accurate and supported.

Criteria used included the following:

- Auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
- The Governmental Accounting Standards Board's governmental accounting and financial reporting standards.
- *Reporting Requirements for Annual Financial Reports (AFRs) of State Agencies and Universities*, July 2010, Office of the Comptroller of Public Accounts.

Project Information

Audit fieldwork was conducted from January 2011 through May 2011. We conducted this audit in accordance with generally accepted government auditing standards. 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 following members of the State Auditor's staff performed the audit:

- Bruce W. Dempsey, CPA, CIA (Project Manager)
- Fabienne Robin, MBA (Assistant Project Manager)
- Mark A. Cavazos
- Darrell Edgar, CFE
- Joseph Kozak, CPA, CISA
- Michael Sanford
- Leslie Ashton, CPA (Quality Control Reviewer)
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Verma Elliott, CPA, CIA, CGAP, MBA (Audit Manager)