PROJECT SUMMARY

Overall, processes and controls established over Texas A&M University’s Veterinary Medical Teaching Hospital’s (Hospital) financial operations provide reasonable assurance that financial transactions are processed in compliance with laws and policies. Some opportunities exist to increase efficiencies in the Hospital’s purchasing processes.

Total expenditures for fiscal year 2012 were $15.7 million. The Hospital had patient revenues totaling $13.6 million, and was supported by an additional $2.7 million in general appropriations.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Purchasing Efficiencies

Observation

Increasing the use of the AggieBuy purchasing module and reducing spot purchases could result in more efficient purchasing operations. The Hospital has negotiated vendor contracts and makes efforts to obtain the best value when making purchases; however, the Hospital is not currently utilizing the AggieBuy purchasing module to its fullest potential. The Hospital calls vendors to place orders as its primary method of ordering goods and services. Although the Hospital may not be able to utilize AggieBuy to place all its orders, placing orders through AggieBuy can provide efficiencies in the use of electronic invoices and automatic posting of transactions to the accounting system. The electronic purchase request system in AggieBuy may also be an alternative for the paper purchase request forms currently used by the Hospital. Only 54 of 3,659 (1%) requisitions were initiated through AggieBuy during the audit period. Implementation of the AggieBuy system has automated much of the University’s procurement process and generates cost savings by leveraging the volume of University purchases to negotiate a lower contract
rate with vendors. Using AggieBuy also increases efficiencies in
the accounts payable process related to purchases.

On a daily basis student workers are traveling to local vendors to
purchase routine supply items. The student worker making the
trip is provided with the department’s procurement card to pay for
the supplies. Unless a specific item is a University defined
emergency, there is little or no benefit to the Hospital to incur
travel and employee salary expenses to make low dollar, single
item purchases.

Recommendation

Meet with Division of Finance to explore ways to utilize the
AggieBuy purchasing module to increase efficiencies in the overall
purchasing process. Increase oversight and review of internal
purchase requests and reduce the number of purchases at local
vendors for routine supply items.

Management’s Response

We will meet with the Division of Finance and continue to explore
ways to increase our use of the AggieBuy purchasing module. For
any efficiencies identified, we will develop an implementation plan
and timeline.

We will perform a detailed study of our local spot order purchases
and identify specific products to add to our Pharmacy/Central Supply
Inventory. We will increase oversight of our internal purchase
requests and reduce the number of spot purchases made to local
vendors.

These actions will be completed by June 30, 2013.
BASIS OF REVIEW

Objective and Scope

The review of the Veterinary Medical Teaching Hospital at Texas A&M University focused on processes and controls over financial operations to determine if financial transactions are in compliance with laws and policies. The audit period focused primarily on activities from September 1, 2011 to August 31, 2012. Areas reviewed included financial reporting, reconciliations, revenues, receivables, expenditures, payroll, and information technology. Fieldwork was conducted from October to November, 2012.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance 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.

Background

The Veterinary Medical Teaching Hospital, a component of the College of Veterinary Medicine, consists of a Large Animal Hospital, a Small Animal Hospital, and a dedicated Zoological and Wildlife Medicine facility. The Hospital provides animal patient services to promote and improve teaching, research and the continuous education programs of the College of Veterinary Medicine.
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