



## Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Audit Committee  
of Texas A&M Research Foundation  
College Station, Texas

In planning and performing our audit of the financial statements of the Texas A&M Research Foundation (the "Foundation") as of and for the year ended August 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

*James D. Ingram, III* | *Thomas A. Wallis* | *James D. Ingram, IV* | *Richard L. Webb*  
*Jennifer A. Stillman* \* *Melissa M. Suehs* \* *Donald B. Browning* \* *Diana K. Wagner* \* *Rosanne P. Ely* \* *Teja Templeton*

### **Noncompliance with Matching Requirements**

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal or state awards. Matching may be in the form of allowable costs incurred or in-kind contributions.

During review of this compliance requirement, it was noted that on some projects on which salaries and the related costs were used as the match that incorrect fringe benefit rates, insurance rates and indirect cost rates were used. Other instances were noted where the cost sharing was incorrectly computed due to the use of incorrect monthly expenses.

We recommend that the information used to calculate cost sharing from researchers be compared to the information provided by the System and its members to insure the correct rates are used. Expenditures should also be reviewed to insure that the correct costs are used in the calculation of cost sharing amounts.

### **Noncompliance with Suspension & Debarment Requirements**

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (i.e. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All nonprocurement transactions (i.e. subawards to subrecipients), irrespective of award amount, are considered covered transactions. When a non-federal entity enters into a covered transaction, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPSL)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

During review of this compliance requirement, it was noted that the Foundation failed to properly verify that contracting parties were not suspended or debarred. It was noted that debarment certification forms were included in the procurement files but were not signed by the vendors. Other instances were noted in which a comment was written in the procurement file that suspension and debarment had been checked but there was no verifiable proof of this. In addition, it was noted that in some cases the Foundation verified suspension and debarment for covered transactions that equaled or exceeded \$30,000 rather than those that equaled or exceeded \$25,000.

We recommend that the Foundation verify suspension and debarment for all required covered transactions.

**Noncompliance with Subrecipient Monitoring Requirements**

A pass-through entity is responsible for monitoring the subrecipient's use of Federal and State awards. Monitoring activities normally occur through-out the year. These activities include reviewing financial and performance reports submitted by the subrecipient and other means to provide reasonable assurance that the subrecipient administers Federal and State awards in compliance with laws, regulations, and the provisions of contracts and grant agreements and that performance goals are achieved.

During review of this compliance requirement, it was noted that the Foundation did not obtain reports noted in the subrecipient agreement that were due by the subrecipient to the Foundation. The reports noted were delinquent.

We recommend that the Foundation ensure that subrecipient reports are submitted to the Foundation for review as required by the subrecipient agreement.

This communication is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bryan, Texas  
December 1, 2008

*Ingram, Wallis ; Company*