



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

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Texas A&M Research Foundation

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, 2017, 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 audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Foundation's internal control to be a material weakness.

### **Restatement of Net Assets**

During the audit, we determined that deferred revenue had been recorded in error on project 402001 in a prior year and proposed a prior period audit adjustment of \$1,479,633.42 to correct the error and restate net assets. A journal entry was not properly reversed in a prior year which resulted in a credit being posted to expenditures for project 402001 and the corresponding overstatement of deferred revenue. The Foundation did not review individual projects to verify the amounts that were being recorded as deferred revenue. We recommend that the Foundation review the reports used to record deferred revenue and verify the amounts being recorded for each project are proper deferred revenues.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Foundation's internal control to be a significant deficiency:

**Noncompliance with Subrecipient Monitoring Requirements**

2 CFR §200.331 requires that pass-through entities are responsible for subrecipient audits and ensuring that the required subrecipient audits were completed and appropriate and timely corrective action was taken on all audit findings, when applicable. It was noted that fiscal year 2016 audits for subrecipients under subaward agreements S110072, S120008, and S162360 were not properly reviewed for findings. For subaward agreements S110072 and S162360, staff only reviewed the financial statements and not the single audit. Review of the financial statements alone would not be adequate to reveal if there were single audit findings related to Foundation subawards. For subaward agreement S120008, staff failed to follow up with the subrecipient regarding their audit. The last correspondence on file showed that the University of Florida expected to complete the audit in April 2017. There was no follow up action taken to obtain the audit report until after we made our inquiry. The subrecipients were not adequately tracked to ensure that all subrecipient audits had been reviewed. We recommend that an employee be designated to review the subrecipient audits and keep a log of all audits reviewed to ensure that all subrecipient audits are completed and appropriate and timely corrective action is taken. Staff should be trained on the appropriate reports to review in order to determine if there are single audit findings related to Foundation subawards.

This communication is intended solely for the information and use of the Board of Directors and Management of the Texas A&M Research Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Bryan, Texas  
December 6, 2017

*Ingram, Walker ; Company*