The Texas A&M University System Internal Audit Department

FIRST QUARTER REPORT
FISCAL YEAR 2009

January 8, 2009
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PROJECT SUMMARY

Overview

Texas A&M University-Kingsville’s governance processes do not adequately define expectations or ensure achievement of expected performance for a competitive higher education institution. The University lacks a strong accountability framework that provides management with the status of key University activities and responsive solutions to problems. The weak governance processes have contributed to the University experiencing a significant decrease in student enrollment; freshmen retention and on-time graduation rates that are below state goals; faculty salaries that are some of the lowest among the state’s doctoral and south Texas universities; and research funding declining to its lowest level since 2003.

With four presidents in ten years, the University has not seen consistent leadership to help it address the complex challenges facing today’s universities. The top-down management style of the University leadership has not fostered a cohesive, participative team environment. Additionally, the University has operated in what has been described as a “frugal” fiscal culture which has led to a sense of mediocrity. The University has not adequately invested in its human capital and information technology operations, thus hindering its ability to provide its students, faculty and staff with an environment that fosters success and excellence.

In 2008, A&M System executive management began pursuing significant changes at the University in order to assist in improving its prominence as a south Texas higher education institution.

Summary of Significant Results

Accountability Framework

The University lacks an accountability framework that provides management with information for effective decision-making regarding resources, operations and the future. A strong accountability framework would synthesize information from key management processes such as strategic planning, enterprise risk
management, resource allocation, and performance monitoring, and allow for the development of smart management solutions. Some University standards are consistently not being met and corrective actions are not undertaken. The absence of an accountability framework makes it difficult for the University to determine root causes for problems, identify potential corrective actions, devise specific solutions, and monitor for implementation and compliance.

**Leadership**

The University has not seen consistent leadership in many key management positions throughout the University. Several key positions are currently filled by interim appointments. The lack of strong, consistent leadership has made it difficult for the University to establish and maintain governance, risk management and internal control processes that enable the University to effectively achieve its goals and objectives.

**Human and Technology Resource Needs**

The University’s lack of investment in its human capital and information technology operations has created a campus community environment of mediocrity. Low-dollar solutions to human resources and information technology needs have, at times, cost the University more by resulting in lower performance and additional problems, errors, and/or customer concerns. The University has a high number of vacancies and interim-filled positions.

**Summary of Management’s Response**

*The University will, through the use of consultants and internal expertise, conduct a full review of the strategic plan goals and objectives and then ensure that they are fully operational. The new President is committed to seeing that the University leadership and all staff are focused on providing the best possible education to every student.*

*The University will develop a plan to hire the best possible faculty and staff. An ongoing review of vacancies and implementing a fair and equitable compensation system will assist in hiring the most qualified faculty and staff. The arrival of a new president ensures much needed stability and increased emphasis on creditable governance and internal control processes that enable the University to effectively achieve its goals and objectives.*
An equitable, fair and competitive salary structure will ensure that the University is the best possible position during the hiring process. An outside consultant will be brought in to review the entire technology function to insure that the appropriate support is provided to the academic program and the administrative functions.

Scope

The review of the Texas A&M University-Kingsville governance processes focused on planning, assessment, leadership, performance management, information technology, and human resources management. The audit reviewed activities from September 2005 to August 2008. Fieldwork was conducted from August 2008 to October 2008.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Accountability Framework

The University lacks a strong accountability framework that would update management with the status of key University activities and provide responsive solutions to problems. A strong accountability framework would synthesize information from key management processes such as strategic planning, enterprise risk management, resource allocation, and performance monitoring, and allow for the development of smart solutions. The absence of an accountability framework makes it difficult for the University to determine root causes for problems, identify potential corrective actions, devise specific solutions, and monitor for implementation and compliance.

1a. Planning

Observation

The University’s planning process lacks the depth and responsiveness to provide management with timely information for decision-making in today’s competitive higher education environment. Its stated mission is generic and does not map out a unique role that focuses on its areas of strength. The University’s strategic plan lacks a candid assessment of its strengths, opportunities, weaknesses, threats, and information on the strategies it will use to accomplish its mission. It also does not include quantitative goals on its key success factors to ensure mission accomplishment. This may explain why the University has not focused on maintaining its perceived strengths in Environmental Engineering, Music, and Wildlife. For example, while the Environmental Engineering program is home to a $10 million National Science Foundation-funded Center for Research Excellence in Science and Technology, its low faculty salaries, low start-up money and high faculty workload continue to pose challenges in attracting high quality faculty. In addition, the nationally-accredited, fast-growing music program with over 200 students is housed in a space the program chair indicated was originally designed for only approximately 100 students. Management has been aware of these issues for several years, yet no noticeable solutions have been implemented.
The University has experienced a significant decrease in enrollment and retention in the last several years. Some of the University’s programs are no longer in demand, having lost their competitiveness. Some of these programs’ graduation numbers have fallen to single digits.

The lack of a strong planning process significantly hinders the University in its ability to grow and meet the expectations of its stakeholders. An effective accountability framework is dependent on a strong planning process that defines goals, objectives and strategies that can then be monitored and measured to ensure achievement of expectations.

**Recommendation**

Improve the University’s overall accountability framework by expanding its planning process to include the following:

- A more thorough analysis of its mission that identifies the specific opportunities or needs the University wants to meet for its stakeholders including a focused look at its areas of strength.

- A candid assessment of the University’s strengths, weaknesses, opportunities and threats. Perform a cost/benefit analysis for the identified weak areas to determine what actions need to be taken to improve these areas. Ideally, such an analysis should factor in the opportunity cost of not allocating these needed resources to other areas in the University.

- Development of detailed strategies on how the University plans to accomplish each of its goals and objectives as outlined by the strategic plan. These strategies will provide a guide and roadmap for the campus community as a whole.

**Management’s Response**

*Dr. Tallant became president of the University on October 1, 2008. His management philosophy is that the University exists to provide the highest quality education to every student that enrolls in the University. As President, Dr. Tallant will provide the leadership required to ensure that supervisors at every level are fully engaged and committed to performing their duties in the most responsible manner possible.*

*The University will review the mission, conduct a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis and activate the goals in the strategic plan. These actions will begin immediately and will be completed by May 2009.*
1a. Planning (cont.)

Additionally, the University will join the Society for College and University Planning (SCUP) and organize a University team that will attend SCUP planning workshops over the next 12 months.

1b. Performance Monitoring

Observation

The University lacks the performance monitoring controls for accountability.

The University’s governance processes do not adequately communicate expectations, nor monitor performance to ensure compliance with agreed standards and policies. Management has not instilled a compliant, results-oriented work ethic, resulting in a culture of mediocrity and noncompliance. Performance has generally not had any bearing on salary actions, which has negatively impacted motivation. By not rewarding and/or sanctioning good and bad performance, respectively, management has encouraged a culture of mediocrity. This is partly due to a lack of leadership and processes necessary to identify noncompliance and under-performance.

The University lacks high-level compliance control processes in the academic affairs area. The University has relied on its Faculty Handbook for managing faculty–related issues. However, a recent review found that the Handbook was not compliant in some areas with A&M System policy. The University does not have an effective compliance monitoring process to ensure that performance evaluations, professional development, program reviews, tenure track reviews, and pre- and post-testing are performed in accordance with University rules. For example, even though the Human Resources Department sends reminders to relevant vice presidents and immediate supervisors, many employees are still overdue on mandatory training such as Ethics (137), Creating a Discrimination Free Workplace (146), Information Security Awareness (415), and Reporting Fraud, Waste and Abuse (231). Some of the training has been outstanding since 2002. This suggests that management has not held its employees accountable for meeting requirements.

A review of the University’s Institutional Effectiveness Plans shows a large number of objectives that have not been met. For many of these, department management has not identified the reasons the goals were not met or the corrective actions taken to address the deficiencies. The University’s assessment process is decentralized, duplicative and inefficient. Many administrative departments and faculty individually seek student feedback on the quality of their services/courses through surveys and evaluations. In most of these cases, the feedback is submitted directly to the department or individual being evaluated. No controls exist to ensure all submitted
responses are accounted for. A more centralized effort would provide a streamlined process (i.e. fewer surveys covering more areas) and better integrity over the analysis and reporting of the survey results. The Council for Planning and Assessment assists academic departments and administrative units in developing, updating, monitoring, and linking assessment to planning. However, a university-wide, closing-the-loop assessment is not performed. A closing-the-loop assessment is necessary for continuous improvement and accountability. Furthermore, the assessment process is generally irrelevant to the University’s resource allocation process. An assessment process that does not somehow align program performance with resource allocation may discourage some of the University’s high achievers.

The lack of an effective performance monitoring process that strives to promote compliant behavior, along with timely solutions to non-compliant activities, puts the University at a higher risk for not achieving its goals and stakeholder expectations. Establishing and communicating expectations, monitoring compliance, performing assessments and taking actions based on the results provide the University with the tools to effectively address problems and achieve expected outcomes.

**Recommendation**

Improve the University’s accountability framework with better performance monitoring by:

- Setting performance expectations on both individuals and programs and holding people accountable through ongoing communication and feedback.

- Developing University rules to ensure compliance with A&M System policies and regulations.

- Developing and implementing a compliance monitoring program for enforcing compliance across the University. The program should include management expectations and ramifications for noncompliance, and periodic compliance reviews for administrative and academic functions.

- Enhancing the University’s current assessment process by performing a closing-the-loop analysis with University strategies aimed at closing any performance gaps. In addition, link the University’s assessment and resource allocation processes to better align program performance with resources.
1b. Performance Monitoring
(cont.)

- Establishing standards for program performance and for those that consistently fail to meet the set standards, identify actions to be taken including consideration of merging or shutting down the program.

- Reviewing surveys conducted at the University and establishing centralized oversight responsibility for coordinating, interpreting, and communicating the results. The University should also review the current survey processes to identify opportunities for streamlining the survey tools and processes and improving the integrity of the results.

Management’s Response

The President will outline his expectations and reemphasize goals and objectives to the University community no later than February 2009.

An accountability framework is being refined in conjunction with the academic plan, which will be completed by January 2010. This plan will include, but not be limited to the following: develop and set specific and clear benchmarks for undergraduate and graduate program reviews, general education expectations, and student learning outcomes.

The University will build on its current processes whereby individuals meet with their supervisors on an annual basis to discuss and evaluate their performances and their Institutional Effectiveness Plans and Reports.

An Office of Planning and Assessment (OPA) will be established and a qualified person will be hired to lead this office by April/May 2009. Currently, University surveys are conducted on an ad-hoc basis, with little or no coordination. Thus, coordinated administrative survey procedures will be established. The University is committed to: (1) better coordinate its efforts to avoid duplicated or conflicting activities; (2) ensure the implementation of the most cost-effective solutions; (3) develop a common set of background variables; and (4) foster the continuity of survey programs. In addition, the University will develop a data dissemination mechanism and maintain a catalog of current and planned surveys, preferably a web-based system. This will be accomplished by October 2009.

An Office of Compliance (OOC) will be established by September 2009. This office will be responsible for compliance monitoring across the University and will be responsible for such functions as Affirmative Action/EEOC, University rules, ADA, and
1b. Performance Monitoring
(cont.)

Management has not created a culture of customer service.

1c. Customer Service

Observation

University management has not prioritized or rewarded good customer service. While management generally blames support services for poor customer service, the review found that in some cases the frontline staff have not been provided with the tools to be successful. For example, the Enrollment Management division has received many customer service complaints. A review of the quality and longevity of staff shows that this area has not had the ability to build the breadth of expertise necessary for success in the highly technical areas of enrollment management, financial aid, admissions, or registry. Some of the problems in these areas can be traced to some hiring decisions that were based not on expertise and experience but on limited financial resources. Instead of hiring an experienced director who could have immediate impact, an inexperienced, first-time director who needed extensive on-the-job training was hired. Many of the problems can be traced to operational problems with Banner, the primary information system used by the Enrollment Management division.

In some cases, University management has not included customer service duties in position descriptions or as part of performance goals. If management does not make its expectations clear and provide the necessary training, it may be difficult to hold individuals accountable. The Enrollment Management division recently implemented quantitative performance goals for individual employees and is already experiencing a significant increase in employee productivity.

Without a strong emphasis on customer service, the University puts itself at a disadvantage for attracting students, faculty and staff and for achieving its goals in an effective and efficient manner.
1c. Customer Service (cont.)

Recommendation

The University should improve customer service by:

- Developing and communicating customer service expectations for all individuals and programs. Ensure these expectations are included in the position description. In addition, ensure specific and measurable customer service goals are set and agreed upon as part of the employee performance evaluation process.

- Providing employees and programs with the tools (technology, training, etc.) necessary for success.

- Rewarding good performance.

Management's Response

The President will communicate to the campus community the customer service expectations for faculty and staff by February 2009. These expectations will be reinforced by providing customer service training by May 2009.

All position announcements and position descriptions will include a customer service requirement. The Human Resources department will work with University leadership to implement these actions by March 2009.

The University will establish programs to reward good performance. Programs such as Outstanding Faculty/Employee of the Year, Extra Mile Program and other rewards programs will be reviewed. A program will be established by March 2009.

2. Leadership

Observation

Having gone through four presidents in ten years, the University community has not seen consistent visionary leadership necessary for a competitive institution. In addition, some academic departments have gone through at least five chairmen in ten years. University leadership is characterized as being reactive rather than proactive and having a general tendency to address symptoms rather than root causes to problems. For example, the perception is that University leadership waits for underperforming employees to retire rather than addressing the performance issues. Discussions with some administrators indicated that University leadership has been unwilling to address the root cause of underperformance on
2. Leadership (cont.)

campus with such actions as a reduction in responsibility and salary, buy-out options, or dismissal.

For a University that has significant problems, the University has filled too many of its key positions with inexperienced individuals. Decisions to fill vacancies are generally based on the salary amount the University is willing to pay, rather than identifying the required expertise and competitive labor market salaries. Since its salaries are generally much lower than its peers, the search is severely curtailed and often brings in an inexperienced outsider or a promotion from within. While this approach may work for some positions, it does not work for those in which the University seeks to gain a competitive edge.

The University's complex problems require strong sustained leadership to deliver the change that is necessary to reestablish the University as a prominent south Texas institution. Thus, it cannot afford to have interims serving in key positions for extended periods of time as it has done in the past. The University currently has interims in the Provost, Vice President for Finance and Administration, Dean of Engineering, Dean of Business, Executive Director of University Facilities, Director of Physical Plant and Director of Admissions positions. This is partly due to the University's high employee turnover and noncompetitive compensation packages.

Additionally, management has not fostered a cohesive, team environment but rather a non-communicative culture where individual divisions operate in silos. The communication at the President's Council is often seen as superficial.

Recommendation

Improve the quality of University leadership by implementing the following:

- Develop strategies to identify and retain high achieving personnel. For the University's key strategic positions, invest in experienced/qualified people with good problem-solving skills in order to help the University address its current and future challenges. Knowledge, skills, and expertise should be the initial filter through which these hiring decisions are made.

- The University's Human Resources Department should periodically provide senior management with an analysis of the status of key strategic vacancies. The analysis should identify how long the positions have been vacant and/or filled by interims.
2. Leadership (cont.)

- Develop formal strategies to guide management in identifying and addressing performance issues in a timely manner. Establish a qualitative- and quantitative-based performance management program that defines the choices available to management for personnel performance decisions.

- Consider requiring new administrators/supervisors, including deans and department heads, to undertake employee performance management training.

- Develop and implement more effective communication processes throughout the University.

Management’s Response

Funds will be made available so that competitive compensation can be offered to experienced/qualified candidates. This program will be developed and operational with positions being advertised starting in September 2009.

The Human Resources Department will provide a monthly report to senior management on vacancies throughout the University. Included in this report will be when the position became vacant, a timeline for filling this position as determined by the appropriate administrator, and whether or not the position is currently being filled by an interim appointment. Implementation of this program will be March 2009.

Employees who directly supervise other University personnel will be required to complete the A&M System online training “Managing Employee Performance” on alternating years. Completion of this training will be monitored by the Human Resources Department. This program will be implemented by March 2009.

A comprehensive communication plan will be developed for the campus to include items such as the President’s updates, campus newsletter, Hog eWeekly, Javelinas in the news, news releases, Focus on Folks and other methods which will be determined after a review of the current practice. This will be accomplished by April 2009.
3. Human and Technology Resource Needs

Over a period of many years, the financial leadership of the University has developed a financial culture that looks to save money by picking low-dollar solutions to address the University’s needs. These low-dollar solutions for the University’s human resources and information technology needs have, at times, cost the University more by resulting in lower performance and additional problems, errors, and/or customer concerns.

3a. Employee Turnover

Observation

The University is heavily dependent on its workforce; however, it has had difficulty in hiring and retaining high quality employees. The University has a high number of vacancies and interim-filled positions. Employee turnover is often cited as the cause of many of the University’s problems. Discussions indicate that the high vacancy rate is due to its uncompetitive salaries. The University has some of the lowest faculty salaries among the state’s doctoral universities, south Texas universities, and the A&M System universities. The high vacancy rate is maybe due to a lengthy hiring process. The length of the hiring process is partly due to the number of reposts the Human Resources Department goes through due to rejections from selected applicants. Additionally, employees indicated a general dissatisfaction with the quality of service provided by the University’s Human Resources Department.

In order to entice prospective employees to apply for positions, the Human Resources Department generally advertises vacancies at salary ranges the University does not intend to offer. This approach has, in some cases, resulted in lengthening the search after the selected candidate is offered the lower salary and rejects the offer. In some cases, the candidate accepts the offer, but leaves within months, resulting in the need for another search. For example, the degree auditor/IT coordinator was hired in September 2006, but left in January 2007. Another one was hired in July 2008 and left in August 2008. In both of these cases, the individuals were offered a better package by their previous employer.

Management is aware of the uncompetitive salaries and is currently working to address the problem. A recent University salary comparative study resulted in a raise for 80% of faculty. Management is now performing a salary comparative study of staff salaries against those of its competitors including the school district, the Navy, the hospital, etc.
3a. Employee Turnover (cont.)

While the Human Resources Department performs exit interviews, the results are considered confidential and not provided to the relevant department head. Without receiving the feedback, the departments may not be addressing issues that would help them meet expectations and retain current employees.

The entire original Banner system implementation team, including representatives of Computing and Information Services, Financial Aid, Admissions and the Registrar, has left the University with all the institutional knowledge relative to Banner. Three years after the University's implementation of the Banner system, it still has many unanswered questions on how the system was implemented. While some of these problems are due to the implementation not being adequately documented, it is very difficult to handle the ongoing needs of the new Banner system without any of the original implementation team.

Employee turnover is very costly to an organization, because it hinders the organization in maintaining a consistent, experienced workforce. Turnover can also cause employee morale problems due to the lack of human resources to complete all job assignments and expectations and the inability to sustain continuity in operations.

**Recommendation**

Reduce the University's employee turnover by:

- Establishing a strategic human resources plan that outlines strategies for hiring and maintaining a quality faculty and staff workforce. Define performance measures with targets for achieving the plan.

- Utilizing the results of the comparative compensation study for faculty and staff and developing a comprehensive plan for making the necessary adjustments to establish a compensation plan that attracts and retains quality employees.

- Establishing a formal process for staff promotion and merit actions that is based on documented performance, knowledge, skills and experience.

- Providing relevant department heads the results of employee exit interviews so they can address issues that may be causing high employee turnover in a timely manner.

Additionally, for the University’s Human Resources Department, develop and communicate customer service expectations that are
specific and measurable as part of each department employee’s personal goals and objectives. Discontinue the practice of advertising salary ranges the University has no intention of paying. Also, improve the timeliness of the overall hiring process by working more effectively with the hiring departments.

**Management’s Response**

The University made a strong commitment to increase approximately 80% of faculty salaries to meet their peer group average over the next three years. The past year, it allocated $455,000 to its most productive faculty. This coming year the University will allocate approximately $480,000 for the second stage of the three-year plan, and about $500,000 for the final stage of the plan.

The University has conducted a preliminary Staff Salary Study to determine the approximate amount of money needed to bring staff salaries up to the peer institutions. A four-year plan would require about $405,000 and a five-year plan would cost $325,000. A comprehensive staff compensation study will be conducted August 2009.

A strategic human resources plan which outlines strategies for hiring and maintaining a quality faculty and staff workforce will be developed no later than August 2009. It will define performance measures with targets for achieving the plan. In addition, vacancies will be posted and filled at competitive salaries.

A staff compensation study will be conducted no later than April 2009.

Staff performance appraisals will be conducted no later than March 31 each year. Employee goals will be attached to the performance appraisals.

Employee exit interview information will be provided to the President and Vice Presidents monthly by the Human Resources Department. The process will begin February 2009.

The System Turnover report will be used by the President and Vice Presidents to review turnover impact. The process of analyzing the latest turnover report will begin no later than February 2009.
3b. Use of Technology

Observation

The University has not adequately invested in technology for improved competitiveness. The information technology (IT) function is not included as a strategy in the University’s mission. Discussions indicate that IT has not been proactive in providing the University community with guidance on issues related to information security. In response to poor customer service from the University’s IT function, departments have sought to develop their own IT support teams (computer labs, etc.), resulting in a decentralized, uncoordinated effort which is duplicative and wasteful.

The University’s student information system, Banner, was not implemented in the most effective and efficient way. In an attempt to save money, the Banner implementation was decentralized at the departments with limited professional planning, guidance and documentation. The audit was unable to obtain documentary evidence of a project plan, a set of guidelines, implementation documentation, or written day-to-day operating procedures.

The Admissions Department continues to have problems loading student applications to the point where some of the data is loaded manually, and every single entry has to be reviewed and verified manually. The system was not set up to perform automatic admissions, a function that would significantly improve the timeliness of admissions. The Admissions Department still has to load transcripts and perform transfer articulation manually, which is not only time-consuming and inefficient but also has the potential to generate errors. The new Director of the Student Financial Aid Office has had to make significant changes to the way the Banner Financial Aid Module was originally implemented.

Although the University’s implementation of Banner was completed in 2005, the Curriculum Advising and Program Planning (CAPP) Module is yet to be implemented. CAPP is an interactive program which accesses the student’s academic record to show their progress toward completion. Without CAPP, the University’s student advising process is cumbersome, inefficient and prone to error. CAPP offers increased operational efficiency and accuracy as an advising tool to be used by students with declared majors and their advisors.

The University has not provided ongoing training for the Banner system. It has been over a year since a Banner training session was offered. As with any new system, training is important to ensure that employees understand and know how to use the
3b. Use of Technology (cont.)

system. Furthermore, timely training is even more critical with the high employee turnover at the University.

Recommendation

Improve the University's use of information technology by:

- Evaluating the current IT function to determine if it is structured in the most effective manner for assisting the University in achieving its goals and objectives. Determine if the University would benefit more with a centralized information system. If not, then additional guidance, direction and oversight needs to be provided to the campus community.

- Reviewing the University’s IT expertise to ensure the knowledge and skill levels are adequate to provide the necessary support for the campus community’s IT operations.

- Developing and communicating customer service expectations that are specific and measurable as part of the University’s Computing and Information Services’ performance measures.

- Ensuring future IT system implementation teams develop a project plan and maintain documentation of all implementation decisions. The documentation should include minutes of all project meetings.

Management’s Response

The University is currently undergoing a technology audit by the System Internal Auditors. Once the results are available, the University will review the recommendations and develop an implementation plan.

Additionally, the University will seek outside expert assistance evaluating the University’s IT expertise, organization, customer service expectations, and communication and project implementation procedures. This review will take place no later than September 2009.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the University’s processes for establishing and maintaining an effective governance system. In addition, the review aimed to determine if the University’s processes provide for overall direction/guidance, performance management, accountability, communication, and transparency in the conduct of work to achieve the University’s goals and objectives.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; the Texas Administrative Code (TAC) 202 and 216; the Family Educational Rights and Privacy Act (FERPA); the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. This audit was performed in compliance 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

Texas A&M University–Kingsville aims to be a nationally recognized public university. Its mission is to “develop well-rounded leaders and critical thinkers who can solve problems in an increasingly complex, dynamic and global society.” Located in South Texas, the University provides access to higher education in an ethnically and culturally diverse region of the nation. It offers an extensive array of baccalaureate and master’s degree programs, and selected doctoral and professional degrees.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Amanda Jenami, CPA, Project Manager
Nora Miles, CPA
Katie Rannebarger
Katherine Redo
Darwin Rydl, CPA

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://www.tamus.edu/offices/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

Dr. Steven H. Tallant, President
Dr. Ronald J. Hy, Interim Provost
Dr. Terisa Remelius, Vice President for Student Affairs
Mr. Jose Garcia, Interim Vice President for Finance and Administration
Mr. Randy Hughes, Vice President for Institutional Advancement
Mr. Manuel Lujan, Vice President for Enrollment Management
PROJECT SUMMARY

Overview

At Texas A&M University - Corpus Christi, the financial and management controls over the financial aid processes generally ensure resources are used effectively and efficiently and in compliance with laws and regulations except for weaknesses in the protection of financial aid information and scholarship administration. Significant improvements are needed to strengthen the protection of financial aid information in the SCT Banner student information system, and the scholarship administration and guidance processes. Also, consortium agreements with other universities need to be brought current.

During fiscal year 2007, the total amount of scholarships and grants awarded was $12.2 million. In addition, students and their parents received approximately $40.8 million in Federal Family Educational Loans (FFEL). The three largest student financial aid programs are FFEL, Pell grants, and scholarships, respectively.

Summary of Significant Results

Access to Financial Aid Information

The University does not adequately administer access to confidential financial aid information in its student information system due to the lack of defined administrative procedures. Access control weaknesses could allow individuals inside and outside the University to gain unauthorized access to the SCT Banner student information system and read, copy, modify, or delete confidential student information.

Scholarship Administration

The University’s scholarship process requires further centralized monitoring and detailed guidance for the awarding of departmental and graduate scholarships. One endowed scholarship was not awarded over a three-year period in accordance with donor intent. Also, the award decisions were not documented for three of fifteen
departmental and four of five graduate scholarships. Without sufficient administrative monitoring and procedures, scholarship awards may not be made on an objective basis or meet donor intent.

Summary of Management’s Response

Management concurs with the observations and recommendations in this report and will strengthen the protection of financial aid information and scholarship administration.

Scope

Our review of financial and management controls over the student financial aid system focused on general eligibility for all major aid programs and scholarships. To test for compliance of selected controls, computer-based audit techniques were used to leverage audit effectiveness and efficiency and test for specific attributes of one hundred percent of the general eligibility requirements. Our audit did not include a review of Pell grants or other federal financial programs as the Texas State Auditor’s Office was covering these areas as part of its A-133 Federal Single Audit for the State of Texas.

We also reviewed information security and financial management controls associated with financial aid. Transactions and activities related to these areas were reviewed for the period of September 1, 2006 to May 31, 2008. Fieldwork was conducted from April through June 2008.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Access to Financial Aid Information

Observation

The University does not adequately administer access to confidential financial aid information in its SCT Banner student information system. The lack of defined administrative processes and turnover in information technology personnel has contributed to these control weaknesses. The risk associated with inadequate access controls is that the integrity, confidentiality, and availability of student information may be compromised. The following describes the control weaknesses in greater detail:

- The University recently implemented SCT Banner as its student information system. Control processes were not well established or documented to ensure that the University consistently adds, modifies, or removes a user's access when they are hired, when they resign or are terminated, or when their job responsibilities change.

- The online form used to request access does not include authorization by data owners such as the Office of Student Financial Assistance. In addition, the form does not reference the University requirement that a user sign a University Information Resources Security Acknowledgement Form and Nondisclosure Agreement.

- To establish authorization, the security administrator must contact the data owner via email and telephone to obtain approval and determine what specific roles are appropriate for the user.

- A monitoring process is not in effect giving data owners the opportunity to confirm, on a scheduled basis, the accuracy and completeness of the current user list.

- Review of current users with access to SCT Banner financial aid screens indicated six user accounts were active for individuals no longer with the University. These users had not been with the University for up to six months.
1. Access to Financial Aid Information (cont.)

University Rule 21.01.06.C2.03, Account Management, requires that "all users must sign the University Information Resources Security Acknowledgement Form and Nondisclosure Agreement before access is given to an account." It also states the specific duties of system administrators with regard to reviewing, modifying, and removing individual accounts.

Recommendation

The University should, in accordance with its Account Management Rule, develop and implement SCT Banner access security procedures which clearly define roles and responsibilities for:

- Providing user access, which includes creating new user accounts, modifying user profiles, and removing user accounts.
- Monitoring active and inactive user accounts.
- Periodically reviewing and confirming users’ access rights to SCT Banner.

Management's Response

A new access form to Banner (including Financial Aid) has been developed and is now in use. This new form includes a compliance statement covering security acknowledgement and nondisclosure approval. The form now has both a section for supervisor's approval, as well as, multiple data custodians’ approval and finally an approval for the Banner System Administrator. Beginning in August 2008, the Computer Services helpdesk reviews a monthly report for Human Resources actions of terminations to remove user access. Beginning in October 2008, a new monitoring process to confirm users already granted access will be implemented and will be done no less than once every six months.

2. Scholarship Administration

Observation

Departmental and graduate scholarships do not have sufficient centralized oversight and guidance.

Although the University’s scholarship process has structure and controls that provide a degree of assurance that scholarships are awarded in accordance with donor requirements, further centralized monitoring and detailed guidance for the awarding of college, departmental, and graduate scholarships is needed. Refer to the text box on the following page for a listing of University areas involved with scholarship administration.
Regarding one scholarship, $53,000 was awarded over a three-year period to students who did not meet the donor requirement that recipients be a United States citizen. In addition, three of fifteen departmental scholarships and four of five graduate scholarships reviewed were not supported with a ranking sheet or other documentation to substantiate the award decision.

The lack of sufficient centralized monitoring and detailed guidance for the awarding of college, departmental, and graduate scholarships creates a higher risk that the scholarship awarding process is not objective or does not meet donor requirements. Also, departments did not document that potential conflicts of interest were acknowledged in award decisions or that a retention period was in place for retaining award decisions.

University Rule 13.03.01.C2.02, Awarding Academic Scholarships, establishes general guidelines for awarding academic, fine arts, and college and departmental scholarships. During the audit, colleges and departments were in the process of complying with this University rule by providing documentation to the University’s scholarship coordinator regarding the specific criteria for awarding scholarships.

Recommendation

To ensure an objective, equitable process for awarding scholarships, strengthen centralized monitoring and detailed guidance for the awarding of college, departmental, and graduate scholarships by:

- Developing and disseminating procedures for the scholarship awarding process in accordance with University rules. The Office of Institutional Advancement and the scholarship coordinator could take responsibility for this administrative
2. Scholarship Administration

(cont.)

activity. The University Scholarship Committee should manage the improved process for awarding scholarships at the college, departmental and program level.

- Documenting the evaluation and ranking of all scholarship applicants.
- Documenting who participated in the application evaluation and their concurrence with the list of scholarship awards.
- Documenting the acknowledgement of those participating in the applicant evaluation that they have considered any potential conflict of interest with applicants and recuse themselves from the decision-making process, if necessary.
- Retaining the applicant evaluation documentation for the length of time required according to the A&M System records retention schedule.

Management’s Response

A detailed scholarship handout detailing procedures will be complete by January 2009. Beginning January 1, 2009, all ranking sheets for scholarship applicants will be signed by the Chair of Scholarship Committee before funds are disbursed. All awarding committee meetings as of January 1, 2009 will require minutes to be prepared with nominee evaluations. All individuals involved in scholarship awards will sign a conflict of interest form beginning January 2009. Documents that clearly support the awarding of scholarships will be retained for the appropriate retention period.

3. Consortium Agreements

Observation

The University has consortium agreements with several other institutions coordinating the award of financial aid for dually enrolled students. However, the original agreements were initiated in the 1990s and have not been updated since that time. The universities involved no longer go by names identified in original documents. As a result, agreements may contain out-of-date information which could impact the coordination of financial aid with other institutions. The agreements had not been monitored or reviewed for several years. Proper monitoring ensures that internal controls continue to operate effectively.
3. Consortium Agreements (cont.)

Recommendation

Update all consortium agreements. Review consortium agreements periodically to ensure information is correct, accurate and meets current applications.

Management’s Response

All consortium agreements have been updated as of September 24, 2008. For monitoring purposes, these agreements are now on the contract database and will be reviewed prior to their term expiration date for applicable updates.
BASIS OF REVIEW

Objective

Evaluate the financial and management controls over the University’s student financial aid system to ensure resources are used efficiently and effectively and in compliance with laws, policies, and regulations.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M University – Corpus Christi Rules, and other sound administrative practices. This audit was performed in compliance 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 University facilitates students in meeting their higher education goals through a variety of grants, scholarships, loans and other means of financial assistance. During fiscal year 2007, 6,424 full-time students were enrolled at the University. The total amount of scholarships and grants awarded was $11.9 million. In addition, students and their parents received approximately $40.8 million in Federal Family Educational Loans (FFEL). The three largest student financial aid programs in actual dollars are FFEL, Pell grants, and scholarships, respectively.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

William F. Williams, CPA, Project Manager
Katina Greenlee, CPA
Mark Heslip

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://www.tamus.edu/offices/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

Dr. Flavius Killebrew, President
Ms. Jody Nelsen, Executive Vice President for Finance and Administration
Dr. Trent Hill, Vice President for Institutional Advancement
Ms. Kathryn Funk-Baxter, Associate Vice President for Finance and Administration
Ms. Margaret Dechant, Associate Vice President for Enrollment Management
PROJECT SUMMARY

Overview

The Texas A&M University System Office of Facilities, Planning and Construction (FP&C) has established controls over its Construction Manager at Risk (CMAR) projects that if operating as planned will generally provide assurance that resources are being used efficiently and effectively and in compliance with applicable laws, policies, regulations, and contractual provisions. We identified weaknesses in the sufficiency of staff to provide proper administrative oversight for change orders of CMAR projects and the absence of direct CMAR contract clauses that provide for the right of audit and business ethics expectations. A monitoring function is not in place to verify bonds and insurance coverage remain adequate in dollar and effective period coverage throughout the duration of CMAR construction projects. Also, supporting documentation is not maintained to verify compliance with requirements established by the Texas A&M System Uniform General and Supplementary Conditions (UGSC) for sureties and insurance companies. In addition, management has not determined the method of final project reconciliation to be used to verify the accuracy of CMAR project expenditures upon completion of CMAR projects.

This review focused on three current Construction Manager at Risk projects all located on the Texas A&M University (TAMU) campus: Interdisciplinary Life Sciences Building valued at $95 million; Mitchell Physics Buildings valued at $82.5 million; and Cox-McFerrin Center for Aggie Basketball valued at $21.5 million. FP&C has been utilizing the Construction Manager at Risk contract format for approximately two years.

Summary of Significant Results

Oversight of Change Order Best Value Determination

FP&C has one full-time employee, the Cost and Schedule Analyst, responsible for reviewing change orders for contract discrepancies, errors, and other unethical business practices in charges to the A&M System construction projects. Labor costs are considered a prime area for inaccurate charges, whether
intentional or unintentional and, without sufficient review, could result in overcharges to the A&M System. A backup employee has not been cross-trained to assist with the Cost and Schedule Analyst’s responsibilities on a regular basis or in the event of an extended period of absence. With the increase in construction projects for the A&M System, having only one employee monitoring all construction project change orders results in more financial risk for the System. A contractor may inadvertently or intentionally falsify billing documentation or commit acts of noncompliance with contract provisions and due to the volume of activity, it may not be noticed, detected, and/or reported in a timely manner by the Cost and Schedule Analyst to proper levels of FP&C and contractor management.

Summary of Management’s Response

Facilities Planning and Construction’s management concurs with the findings and recommendations of the auditors and is currently addressing these issues.

Scope

The review of Construction Manager at Risk projects focused on the review of records for three specific projects: TAMU Interdisciplinary Life Sciences Building valued at $95 million; TAMU Mitchell Physics Buildings valued at $82.5 million; and TAMU Cox-McFerrin Center for Aggie Basketball valued at $21.5 million. Activities and transactions related to contractor insurance and bonds, project payments, contract change orders, and subcontractor activities were reviewed for the period of project inception through April 2008. Audit fieldwork was conducted May through July 2008.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Oversight of Change Order Best Value Determination

Observation

FP&C employs one full-time position, the Cost and Schedule Analyst, who is responsible for reviewing all A&M System construction project change orders for contract discrepancies, errors, and other unethical business practices. Increases in the number of construction projects have not been aligned with an increase in resources to provide proper administrative oversight. Having only one employee monitoring change order documentation for all construction projects while performing other job duties elevates the A&M System’s financial risk. A contractor may inadvertently or intentionally falsify billing documentation or perform acts of noncompliance with State of Texas laws, A&M System policies and regulations, and contractual requirements and these discrepancies could go unnoticed, undetected, and/or not reported in a timely manner to proper levels of FP&C and contractor management.

Labor costs, including but not limited to wages, salaries, overtime, and labor burden, are considered a prime area for inaccurate charges, whether intentional or unintentional. Staffing limitations could result in insufficient review of labor costs resulting in overcharges to the A&M System. Change orders for the TAMU Interdisciplinary Life Sciences Building totaled approximately $4.6 million (sixty-one revisions in eight change orders) while those for the TAMU Mitchell Physics Buildings and TAMU Cox-McFerrin Center for Aggie Basketball totaled approximately $14.5 million (twenty revisions in eight change orders) and $120 thousand (seventeen revisions in two change orders), respectively.

A backup employee has not been cross-trained to assist with the duties and responsibilities of the Cost and Schedule Analyst which further elevates the risks associated with insufficient review of project change orders.

Recommendation

To strengthen controls over change orders, perform a workload study to determine the level of staffing that is required to minimize financial risks related to contractor charges and costs in construction.
1. Oversight of Change Order Best Value Determination (cont.)

| Change orders. FP&C should provide sufficient resources to adequately monitor, review, and oversee all change order activities. Cross-train other FP&C personnel to regularly assist with the responsibilities of the Cost and Schedule Analyst as well as provide staff support in the event of an extended period of absence. |

Management’s Response

| The construction change order process for System projects begins with a revision that is initiated on an electronic form by our project managers and electronically forwarded to the contractor for pricing. The appropriateness and value of a revision is often reviewed by the Area Manager, the Director of Project Delivery, and on occasion by the Associate Vice Chancellor. It is the detailed pricing for both labor and materials from the contractors that is reviewed by the Construction Cost and Schedule Analyst. Facilities Planning and Construction has designated another employee, our Planning Cost Analyst, to assist our Construction Cost and Schedule Analyst with the processing of revisions and to serve as the backup to that position. Beginning in September of 2008, the Planning Cost Analyst has been trained and along with the Construction Cost and Schedule Analyst is processing revisions. The Planning Cost Analyst will process a minimum of two to three revisions a month and more as the workload dictates. |

Management’s Response

| We have determined that the Construction Cost and Schedule Analyst’s average turnaround time on reviewing the pricing of revisions is three and a half days. The Construction Cost and Schedule Analyst along with the assistance of the Planning Cost Analyst will be able to maintain this turnaround schedule without sacrificing the thoroughness of the review. |


Observation

| Contract provisions for the right of audit and business ethics expectations provisions are not directly incorporated in the current CMAR contract. The CMAR contract in use between FP&C and its general contractors does not include direct contract clauses that provide for the right of audit and business ethics expectations. Although business code of conduct and audit language is included in several locations of the contract, no direct business ethics expectations and right to audit provisions are in place causing limited communication of these expectations. Absence of these direct provisions could result in the A&M System being held liable for intentional or unintentional unethical behaviors including billing errors, fraudulent payments, and misappropriation of funds. |

Facilities Planning and Construction has designated another employee, our Planning Cost Analyst, to assist our Construction Cost and Schedule Analyst with the processing of revisions and to serve as the backup to that position. Beginning in September of 2008, the Planning Cost Analyst has been trained and along with the Construction Cost and Schedule Analyst is processing revisions. The Planning Cost Analyst will process a minimum of two to three revisions a month and more as the workload dictates. We have determined that the Construction Cost and Schedule Analyst’s average turnaround time on reviewing the pricing of revisions is three and a half days. The Construction Cost and Schedule Analyst along with the assistance of the Planning Cost Analyst will be able to maintain this turnaround schedule without sacrificing the thoroughness of the review. |
2. Contract Provisions (cont.)

activities, and noncompliance with State of Texas laws, A&M System policies and regulations, and contract provisions. Inclusion of right to audit and business ethics expectations clauses is considered standard business practice in CMAR contract provisions.

**Recommendation**

Incorporate direct provisions regarding the right of audit and business ethics expectations clauses into the current CMAR contract to strengthen agreements between FP&C and general contractors.

**Management’s Response**

All of our contracts, architect/engineer services, construction manager at risk (CMAR) and design-build services are currently being reviewed by the Director of Project Controls and the Director of Project Delivery and changes to improve collaboration are being drafted. These recommended changes to include improved business ethics expectations and right to audit provisions will be developed and incorporated into the revised contracts. These revised contracts will be available for use no later than March 31, 2009.

3. Bonds and Insurance

**Observation**

A monitoring function is not in place to verify that construction managers renew or obtain adequate bonds and insurance coverage for increases in construction project values.

A monitoring function is not in place to verify bonds and insurance coverage remain adequate in dollar and effective period coverage through the duration of construction projects. Additionally, guidelines have not been established to define the percent or dollar value increase over the original contract value that requires verification of increased bonds and/or insurance. A monitoring function was once in effect; however, recent changes in both management and staff resulted in lost functionality of this control.

Audit results indicated an inadequate monitoring function, as follows:

- Evidence of increases in bonds and Builder’s Risk insurance coverage to support increased project values resulting from change orders for the three projects reviewed were not included in FP&C’s central files. Support for increases was obtained directly from the construction managers.

- Texas A&M System Uniform General and Supplementary Conditions state that Worker’s Compensation, Commercial
3. Bonds and Insurance (cont.)

General Liability, Comprehensive Automobile Liability, Builder’s Risk, and Umbrella Liability insurance be kept current through the construction and warranty phase of all construction projects. Two of the three construction projects reviewed had expired policies held in FP&C’s central files. The construction project managers provided copies of the renewed policies.

- Umbrella insurance coverage for one project, although adequate at project inception, did not meet the required coverage limit during project construction.

Inadequate monitoring of bonds and insurance coverage increases the risk of insufficient coverage, noncompliance with UGSC and contract provisions, and potential losses to the A&M System.

Recommendation

Develop guidelines detailing the percent or dollar value increase over the original contract amount that requires verification by FP&C that the contractor has appropriately increased project bonds and Builder’s Risk insurance.

Implement a monitoring function to verify that bonds and insurance coverage are increased and renewed as construction project values increase throughout the duration of the project and the warranty phase to, at a minimum, meet required limits as established by UGSC and additional Special Conditions.

Management’s Response

Bonds and insurance were reviewed in an ad hoc manner in the past. A new policy being implemented by the Director of Project Controls is as the construction contract value increases through the approval of change orders the contractor will be required to verify the increase in bonding on their monthly payment request. If the increase, due to any change order, exceeds 5% of the original contract value the contractor’s surety will be required to verify in writing the increase in bonding capacity and a new insurance certificate will be required reflecting the new contract amount for Builder’s Risk insurance.

All insurance certificates are now verified upon receipt with expiration dates recorded. If renewals are not received the vendor will be notified by letter with a request to forward a certificate within 10 days of receipt of letter.

Forms and processes are currently being modified to incorporate these requirements and will be in place by March 31, 2009.
### 4. Uniform General and Supplementary Conditions (UGSC) Requirements

**Observation**

<table>
<thead>
<tr>
<th>FP&amp;C’s central files lack supporting documentation verifying that sureties and insurance companies met A&amp;M System UGSC requirements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting documentation is not maintained in FP&amp;C’s central files that verify the following requirements as established by the A&amp;M System UGSC requirements:</td>
</tr>
<tr>
<td>• Sureties and insurance companies are authorized to do business in the State of Texas.</td>
</tr>
<tr>
<td>• Sureties are approved by the United States Department of Treasury.</td>
</tr>
<tr>
<td>• Insurance companies are rated A- or better by A.M. Best Company or are otherwise acceptable to the A&amp;M System.</td>
</tr>
</tbody>
</table>

Lack of documentation which verifies that UGSC requirements are met for construction projects increases A&M System’s risk of being held liable in the event an insurance company or surety refuses to perform as agreed or ceases to be in business.

**Recommendation**

Maintain documentation in FP&C’s central files that supports that sureties and insurance companies have met A&M System UGSC requirements prior to contract execution.

**Management’s Response**

Sureties have always been verified through the U.S. Department of Treasury website. This listing also indicates which states the companies are authorized to conduct business in. Beginning July 16, 2008, sureties are verified on both the U.S. Department of Treasury website and the A.M. Best website with the rating from these websites printed and filed in the project central file.

Also beginning in July, insurance companies are verified on the A.M. Best website and the rating information printed and filed in the project central file.

In addition to the U.S. Department of Treasury website, we are beginning to check a list of authorized insurance companies from the Texas Department of Insurance website.
5. Final Project Reconciliation

Observation

FP&C has not selected a method of final project reconciliation to perform at the completion of CMAR projects to verify accuracy of contract expenditures.

FP&C is in the process of determining the method of final project reconciliation to perform at the completion of CMAR projects. Final project reconciliations help to ensure payments made during construction, which were based on estimates of work completed, materially agree to the general contractor’s actual expenditures. Absence of final project reconciliations could result in undetected errors in billing documentation resulting in excessive payments to general contractors.

Recommendation

Perform final project reconciliations for CMAR construction projects to verify construction payments based on estimates of work completed materially agree to actual contractor expenditures.

Management’s Response

Facilities Planning and Construction is currently developing a Request for Qualification to select one or more firms to perform end of construction audits on construction manager at risk and design-build contracts. We plan to have one or more firms selected and under contract to perform end of construction audits by March 31, 2009.
BASIS OF REVIEW

Objective

The overall objective was to review and assess records for selected Construction Manager at Risk projects to determine if resources are being used efficiently and effectively and in compliance with applicable laws, policies, regulations, and contractual provisions.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; federal and state laws; and other sound administrative practices. This audit was performed in compliance 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 System Office of Facilities Planning and Construction is dedicated to the ongoing program to improve and expand all physical facilities in support of the teaching, research, and service missions of each university and agency of the Texas A&M University System. The department seeks to accomplish this by providing timely and efficient professional services in a fiscally sound manner throughout all phases of project development.

The staff of 51 manages over $1 billion in construction projects for the Texas A&M University System. FP&C is organized into three divisions including project planning, project delivery and project controls with a fiscal year 2008 budget of approximately $10 million. In addition, the department now employs three external firms to assist with program management requirements in the north, south, and central areas of the state.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Madelyn Galloway
Darwin Rydl, CPA

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail:  chrncir@tamu.edu
Phone:  (979) 458-7100
Fax:  (979) 458-7111
Web Site:  http://www.tamus.edu/offices/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

Dr. Michael D. McKinney, Chancellor
Mr. Vergel Gay, Associate Vice Chancellor for Facilities Planning and Construction
Mr. James Davidson, Director of Project Controls for Facilities Planning and Construction
PROJECT SUMMARY

Overview

The Texas Veterinary Medical Diagnostic Lab is committed to building a strong environmental health, safety, and biosecurity program to maintain the safety and security of Agency personnel. This program will help ensure resources are used efficiently and effectively and in compliance with applicable laws, System regulations, and Agency rules. Considerable measures have been taken since 2006 to build a strong control structure such as developing a comprehensive set of standard operating procedures which include safety requirements, creating a database to track safety issues, and hiring additional resources dedicated to this work.

The Agency’s most recent accreditation report included laudatory comments regarding the improvements in quality and safety. However, further improvements are needed to better ensure that some current safety processes are functioning effectively. Formal internal and external lab inspections had not been performed in more than a year prior to the start of the audit including inspections of the Biosafety Level 3 laboratory facilities. In addition, certain safety issues identified in the most recent lab inspections from 2006 and early 2007 have not been fully addressed. Other areas of improvement include addressing fire and life safety issues within the current lab inspection process and installing biosafety cabinets in receiving areas.

Summary of Significant Results

Laboratory Inspection Process

Formal internal inspections of laboratories last occurred in 2006 shortly after the current Director of Quality and Safety was hired. In addition, Biosafety Level 3 (BSL3) lab...
facilities, including both the permanent and mobile BSL3 labs, were last inspected by the Texas A&M University Environmental Health and Safety Office in July 2006 and April 2007, respectively.

Without timely inspections of laboratory facilities including the resolution of issues identified, there is a greater chance that safety issues exist within the labs that could cause potential harm to employees and others who may be in close proximity to the labs.

**Summary of Management’s Response**

*Texas Veterinary Medical Diagnostic Laboratory* management considers safety the foundation for achieving our mission. As such, each recommendation from the audit team has been carefully examined and will be implemented to its fullest extent. In addition to the recommendations of the audit team, the Agency management team is identifying additional areas that will help enhance our safety procedures and ensure our facilities are operating in a safe and secure manner.

**Scope**

The review of environmental health, safety and biosecurity processes focused on the areas of safety guidance, communication and training, laboratory inspections, and safety issue resolution. Documentation and activities were reviewed primarily for the period September 2007 through July 2008 although some activities outside of this time period were examined as necessary. Fieldwork was conducted from May through July 2008.
OBservations, Recommendations, and Responses

1. Laboratory Inspection Process

Observation

Formal inspections of laboratory facilities and resolution of safety issues identified have not been performed in a timely manner.

<table>
<thead>
<tr>
<th>Although a laboratory inspection process is in place the following conditions were noted:</th>
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<tbody>
<tr>
<td>• Formal inspections of laboratories by safety personnel last occurred in 2006 shortly after the current Assistant Agency Director for Quality Assurance and Safety Programs was hired. Due to the intensive efforts in building the Quality Assurance and Safety infrastructure during the past two years, fewer resources have been available to focus on some current safety controls such as formal lab inspections. Informal lab reviews have occurred to some extent during everyday operations; however, formal inspections are needed to ensure that all safety issues have been identified and properly addressed.</td>
</tr>
<tr>
<td>• The Biosafety Level 3 (BSL3) lab facilities, including both the permanent and mobile BSL3 labs, last received an external inspection by the Texas A&amp;M University Environmental Health and Safety Office in July 2006 and April 2007, respectively. An intrasystem agreement currently exists with Texas A&amp;M for these services to be performed annually. However, the inspections were not performed within the past year as stated in the agreement. This agreement does not provide sufficient detail regarding the roles and responsibilities of each party, including assurances that these services will be carried out in a timely manner.</td>
</tr>
<tr>
<td>• The Agency has not fully addressed recommendations from the Texas A&amp;M Environmental Health and Safety Office’s inspection of the mobile BSL3 laboratory performed in April 2007. The following recommendations remain:</td>
</tr>
<tr>
<td>° Seals in several areas on the laboratory trailer need to be repaired. Ideally, the seals should be checked whenever the trailer is moved.</td>
</tr>
<tr>
<td>° The eyewash unit installed in the laboratory trailer does not have adequate clearance and needs to be moved forward.</td>
</tr>
</tbody>
</table>

Without timely inspections of laboratory facilities including the resolution of issues identified, there is a greater chance that safety issues exist within the
1. Laboratory Inspection Process (cont.)

labs that could cause potential harm to employees and others who may be in close proximity to the labs.

A&M System Regulation 24.02.01 states the Chief Executive Officer is responsible for establishing a procedure for environmental health and safety inspections so that potential hazards and risks are detected and corrected or controlled in a timely manner.

Recommendation

To improve the lab inspection process the Agency should:

- Prepare a schedule of laboratory safety inspections and ensure that all areas of the laboratory facilities are formally inspected at least annually by safety personnel.

- Ensure that formal safety inspections for BSL3 lab facilities are also performed at least annually by a qualified external entity by executing a contract with this entity specifying each institution’s roles and responsibilities for performing the inspections including assurances regarding performance.

- Fully address in a timely manner all laboratory inspection issues identified including the remaining recommendations from the April 2007 external inspection of the mobile BSL3 laboratory.

Management’s Response

- The Agency is working to establish a memorandum of understanding (MOU) with the Texas A&M Office of Biosafety. Under this agreement, the Texas A&M Biosafety Officer will provide regular (annual) inspections of the Agency laboratories (Biosafety Level-2 and 3). These inspections, the first of which is scheduled for later in 2008, will involve evaluation of laboratory safety procedures and certifications of biological safety level-3 facilities. The MOU will define responsibilities of each party and is expected to be implemented by December 31, 2008. The MOU will be forwarded to System Internal Audit when finalized.

- The existing Agency agreement with the Texas A&M Environmental Health and Safety Office provides for chemical, fire and life safety, hazardous material shipping, biological safety (general safety protocol review), radiological safety and occupational safety services. This agreement will be reviewed in concert with establishing the new agreement with the Texas A&M Office of Biosafety. Duplicate services will be eliminated from the Environmental Health and Safety Office agreement. A copy of the new agreement will be forwarded to System Internal Audit when finalized.
1. Laboratory Inspection Process (cont.)

- The Agency recently created a Laboratory Safety Officer position. The successful candidate for this position will be responsible for enhancing and implementing safety procedures at all four Agency laboratories; development and implementation of comprehensive safety and security programs; performance of regular and frequent laboratory internal reviews; providing deficiency reports to the Director; overseeing the correction of these deficiencies; inspecting diagnostic laboratory facilities for compliance with regulations and guidelines pertaining to use, handling and disposal of potential biohazards; reviewing plans for laboratory building construction; renovation of existing facilities to assure adherence to current biosafety and biosecurity practices; and working closely with the Texas A&M University Office of Biosafety.

Interviews for this position have been conducted, a qualified applicant has been offered the position and he is expected to begin work prior to December 15, 2008.

- The issues identified from the April 2007 external inspection of the mobile BSL-3 laboratory are at the following stages of completion:
  - An adjustable eyewash station has been added to the sink in the mobile laboratory unit as required by the fourth edition of the Center for Disease Control's: Biosafety in Microbiological and Biomedical Laboratories (BMBL).
  - Cracked seals have been caulked.
  - Carpet will be removed from the cabinets by November 30, 2008.
  - The mobile BSL3 Unit will be inspected as part of the MOU with the Texas A&M University Office of Biosafety. As such, a test and air balance and fault testing will be performed. At this time, its suitability for use as a BSL3 mobile unit will be determined.

2. Environmental Health and Safety Control Structure

Observation

Various elements in the Agency’s environmental health and safety control structure have not been fully developed or refined.

Elements are still being developed and refined within the Agency’s Quality Assurance function for controlling and monitoring environmental health and safety as follows:

- The Agency revised its Standard Operating Procedure (SOP) format to include safety requirements and other pertinent information. All SOPs are required to be converted to the new format by September 30, 2008. Several SOPs are still in the process of being updated and issued, and as a result do not yet contain safety sections. In addition, some Amarillo
2. Environmental Health and Safety Control Structure (cont.)

SOPs have not yet been fully incorporated into agency-level SOPs where appropriate.

- Six of ten corrective action requests (CARs), which are used to track issues that need to be resolved, from previous laboratory inspections were not closed properly within the due date according to the CARs tracking database. These were all issued prior to September 2006. Four of these six had been completed, but the database had not been updated to reflect these actions. Two of the six have not been completed. Also, a review of the database showed that there were two CARs that had been closed with reference to another CAR. Specific action and verification dates for the closed CARs were not noted in the database. Without properly updating and maintaining the CARs database, safety deficiencies identified may not be resolved.

- Currently, it is not possible to identify trends from the CARs tracking database due to the lack of a standard identification phrase or categorization for each CAR. The ability to identify and analyze trends in the CARs database is needed to help identify safety problem areas that may require greater focus and attention by safety personnel.

Recommendation

Complete the development of the Agency control structure elements over environmental health and safety by:

- Adding a safety section in all remaining SOPs and procedures and ensuring that SOPs and procedures are updated every two years in accordance with Agency procedures.

- Incorporating Amarillo operating procedures regarding safety into the new Agency SOPs to ensure that all safety issues have been adequately included.

- Reviewing and updating the CARs tracking database monthly to ensure information is accurate and complete and all CARs have been addressed in a timely manner.

- Adding a standard field to the CARs tracking database indicating the type/category of safety issue (e.g. storage, electrical, vaccinations, biological safety cabinets, etc.) to provide the ability to sort and track safety trends as needed.

Management’s Response

- Ninety-seven percent of SOPs have been converted to the new format which includes safety requirements and other pertinent information. The
remaining SOPs will be converted to the new format by November 30, 2008. In order to ensure that all SOPs are updated every two years in accordance with Agency policy, a complete list of SOPs that are approaching the review timeline will be provided to the Quality Management Team during the Agency’s quarterly quality management review. Quality management reviews are now occurring on a quarterly basis instead of annually. This provides the Director and Executive Management Team with more frequent opportunities to review the direction and needs of the Quality Team and Quality Assurance Program. Converted SOPs will be provided to the System Internal Audit office when 100% completed.

- Amarillo’s standard operating procedures have been converted to the new format to ensure that all safety issues are adequately addressed.

- The database for tracking CARs is now updated on a monthly basis. This database is subsequently provided to each individual present at the Quality and Safety Committee meetings which are held monthly. Individuals at this meeting represent each laboratory and/or section within the Agency.

- The Corrective Action database has been expanded to include the type of corrective action (with regards to safety) that is being addressed in the respective CAR.

3. Fire and Life Safety

Observation

Fire and life safety issues are not formally addressed in the current laboratory inspection process.

Fire and life safety is not currently included in the Agency’s Environmental Health and Safety Procedures, nor was it observed in the lab inspections performed during the audit. Fire and life safety programs and practices are designed to help ensure safe working environments for employees. A&M System Regulation 24.01.04 states that each Component shall, as appropriate, adopt procedures to identify and address fire/life safety deficiencies through inspections of facilities and grounds.

Recommendation

Add fire and life safety inspection processes to the current Environmental Health and Safety Procedures and address this area in all laboratory inspections performed.

Management’s Response

A fire and life safety section has been added to the Agency’s Environmental Health and Safety Procedure (TVMDLS-EHS-P0001, Section 9.30).
3. Fire and Life Safety (cont.)

and life safety will be addressed in all internal and external laboratory safety inspections.

4. Biosafety Cabinets

Observation

Biosafety cabinets are not currently installed in the receiving areas at the College Station and Amarillo labs as recommended by the American Association of Veterinary Laboratory Diagnosticians. Without biosafety cabinets in the receiving areas, the possibility exists that employees could be exposed to potentially infectious materials when opening leaking packages or packages containing infectious materials. Management has indicated that plans are currently in place to install biosafety cabinets in these areas and address their use in the Agency’s standard operating procedures. Currently, in the absence of biosafety cabinets in the receiving area, management indicated that packages which contain potentially infectious materials or those packages that are leaking are opened in the necropsy area. The traffic in this area is restricted to authorized personnel only and thus provides a more biosecure environment for this type of activity.

Recommendation

Continue with current plans to install biosafety cabinets in the receiving areas at both the College Station and Amarillo labs and address their use in the Agency’s standard operating procedures.

Management’s Response

Management is currently working to enhance the safety and functionality of the sample receiving facilities at both the College Station and Amarillo laboratories.

Renovations to the Amarillo laboratory, which will begin during 2009, include complete renovation of the sample receiving area. A biological safety hood will be added to this area to enhance biosafety practices. Expected completion date is November 2010.

The College Station sample receiving area will be relocated within the facility. The current sample receipt area will continue to function until the newly identified area can be renovated to accommodate this function. This newly renovated space will contain a biological safety hood capable of protecting the workers from potentially infectious diseases. Renovation is expected to be completed by June 2010.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the adequacy of the Agency’s processes for the environmental health, safety, and biosecurity program. Also to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules to ensure the safety and security of Agency personnel.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); Texas Veterinary Medical Diagnostic Laboratory’s Standard Operating Procedures; federal and state laws; and other sound administrative practices. This audit was performed in compliance 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

As part of its overall mission to aid and educate the animal industries of Texas in identifying diseases and helping to protect the health of the state’s citizens by identifying diseases transmissible from animals to people, the Agency provides veterinary diagnostic services primarily to veterinary practitioners in Texas. The lab is one of only 32 full-service diagnostic labs in the United States and Canada accredited by the American Association of Veterinary Laboratory Diagnosticians. The Agency has two full-service laboratories (College Station and Amarillo) and two poultry laboratories (Center and Gonzales). The College Station facility houses the state’s only Biosafety Level 3 veterinary diagnostic labs which are equipped to deal with the deadliest animal diseases. Over the next two years the Agency also plans to modify the current Amarillo building structure to add a Biosafety Level 3 laboratory and complete a construction project to improve the
Specimen Receiving and Specimen Processing facilities at this laboratory facility.

Laboratory safety comprises the most significant element of the safety function at Texas Veterinary Medical Diagnostic Laboratory. This function currently comprises a staff of four including staff at both the College Station and Amarillo labs. The Agency is also in the process of hiring a full-time laboratory safety officer so that the duties of quality assurance and safety can be divided and each given appropriate emphasis. This position will report directly to the Agency Director.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

- Brian Billington, CPA, Project Manager
- Christy Jurney, CPA
- Susan McGrail, CIA
- Joseph Mitchell

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://www.tamus.edu/offices/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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- Mr. Ralph Y. Cobb, Jr., Assistant Agency Director
- Ms. Terry Dobrovolsky, Assistant Agency Director for Quality Assurance and Safety Programs
PROJECT SUMMARY

Overview

While Prairie View A&M University’s Office of Student Financial Aid (OSFA) has improved its overall internal control environment since the 2004 audit, further improvement is needed in the areas of Fiscal Operations Report and Application to Participate (FISAP) reporting, scholarship management, and human resources management. OSFA’s processes for developing the University’s FISAP do not ensure the information reported to the Department of Education is accurate. In addition, OSFA has not developed formal, robust monitoring processes to ensure data accuracy and integrity, optimum use of scholarship funds, and identification and resolution of exceptions to financial aid award rules. OSFA has streamlined its organizational structure, and established formal goals to enhance performance, improve compliance with federal, state, and university regulations, and promote customer service. OSFA management looks to further improve operational efficiency with the implementation of Banner’s financial aid module beginning in fiscal year 2009.

A computerized data analyses of all financial aid files (approximately 7,500) for compliance with federal rules regarding general eligibility, Pell grants, disbursement timeliness, disbursement limits, etc., found an immaterial error rate of less than 1%. OSFA management should be commended for such a high compliance rate.

Summary of Significant Results

Fiscal Operations Report and Application to Participate Reporting (FISAP)

OSFA’s processes for developing the University’s FISAP do not ensure the information reported to the US Department of Education is accurate. A review of the 2006-2007 FISAP found discrepancies and inconsistencies between amounts in the FISAP and amounts in the University’s official financial records and its student information system.
Inaccurate information reported to the Department of Education increases the University’s risk for inaccurate future federal funding.

**Scholarship Management**

While controls over scholarships have improved since the prior audit in 2004, further improvement in effectiveness and efficiency of the scholarship management process is necessary. OSFA still has to develop a robust, formal scholarship monitoring process to ensure scholarships are awarded and managed for optimum use of available funds and that the scholarship fund information is accurate and consistent with the University’s official financial records. The University has approximately 200 scholarships, a number of which have not had any activity for a long period of time.

**Summary of Management’s Response**

Management appreciates the System Internal Audit Department’s efforts to identify issues needing improvement and steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

**Scope**

The review of the Office of Student Financial Aid (OSFA) focused on financial and management controls over the University’s student financial aid programs including federal loans, Pell, Texas grants, Federal Work Study, and scholarships. The audit also included a review of OSFA human resources management in the areas of compensatory time, employee turnover, and employee conflict of interest. Our review included data analysis of all financial aid transactions from the student information system for compliance with applicable laws and regulations. Transactions and activities related to these areas were reviewed for the period of September 1, 2006 to June 2008. Fieldwork was conducted primarily from June through August 2008.
OSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Fiscal Operations Report and Application to Participate (FISAP) Reporting

Observation

The OSFA’s processes for developing the University’s FISAP do not ensure the information reported to the Department of Education is accurate. The 2006-2007 FISAP included a number of inconsistencies between accounts in the FISAP and amounts in the University’s official financial records, Financial Accounting Management Information System (FAMIS), and its student information system. For example, all (7 out of 7) of the financial numbers tested did not match the corresponding data in FAMIS. The OSFA produces the FISAP from various information sources, including the University’s student information system, the Human Resources department, and the University’s Treasury Services. Discussions with management suggest the inconsistencies identified in the audit are mainly due to the lack of reconciliation of the original information sources to FAMIS and OSFA’s insufficient supporting documentation for the report.

The FISAP is prepared annually and submitted to the US Department of Education to ensure continued funding in the areas of Federal Work-Study, Federal Supplemental Education Opportunity Grant, and Federal Perkins loans. If the University submits inaccurate information, there is a risk that future federal funding for these programs is not accurate.

Recommendation

Develop and implement a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP in accordance with the Federal Student Financial Aid Handbook. The reconciliation process should document discrepancies between the different information systems, reflect adjustments made, and track pending corrections and support for the FISAP and the University’s Annual Financial Report. To ensure the process is effective, it should include the following elements:
1. Fiscal Operations Report and Application to Participate (FISAP) Reporting (cont.)

- A segregation of the functions of the reconciliation preparer and reviewer. The preparer and reviewer should sign and date the reconciliations.

- Include accurate and timely reconciliation of each financial aid account between the data source used and FAMIS. This should include accounts relevant to federal, state and scholarship aid awarded in accordance with University management guidelines.

- The reconciliations and other supporting documentation should be maintained in accordance with the University’s data retention rules and provide traceable support for the numbers reported in the FISAP and any adjustments, transfers, or corrections.

Management’s Response

We agree with the recommendation and are developing and implementing a formal reconciliation process to ensure the accuracy of data used to prepare the FISAP in accordance with the Federal Student Financial Aid Handbook.

Financial Aid management has already conducted the following:

1. Collaborated with pertinent offices (i.e. Office of Sponsored Programs, Budget and Reconciliation, Student Employment Office, etc.) to make sure that FAMIS is correct (i.e. properly reflects funds transferred between years) and that the amounts reported are indeed accurate. Financial Aid Management will continue to work with other offices in subsequent years to complete the FISAP.

2. Proposed the reorganization of the Financial Aid Office to create personnel dedicated to the reconciliation of all funds under its purview.

3. As directed by the Vice President of Business Affairs, monthly reconciliation reports will be provided to representatives in Budget and Reconciliation to ensure compliance with federal and university mandates.

In addition to the aforementioned actions, Financial Aid management proposes the following procedures to insure accuracy in FISAP reporting:

1. Create detailed reconciliation procedures for review by the Budget and Reconciliation department (Business Affairs).
1. Fiscal Operations Report and Application to Participate (FISAP) Reporting (cont.)

2. Provide additional training for representatives from Budget and Reconciliation.

3. The Financial Aid Specialist will be responsible for preparing the FISAP.

4. The Assistant Provost will then review the FISAP and supporting documents associated with its preparation to ensure accuracy.

5. The Assistant Provost will then forward all documents to the Assistant Vice President for Financial Accounting, Reporting, and Procurement for review.

6. Once approved, the Assistant Vice President for Financial Accounting, Reporting, and Procurement will return the document to the Assistant Provost.

7. The Assistant Provost will then forward the FISAP to the Office of the President for his signature.

This process will be implemented by October 15, 2009.

2. Scholarship Management

Observation

While controls over scholarships have improved since the prior audit in 2004, further improvement in the effectiveness and efficiency of the scholarship management process is necessary. OSFA now requires prior approval of scholarships by the Assistant Provost for Student Financial Aid and performs some tracking of scholarship funds. However, it still does not have a formal scholarship monitoring process to provide assurance that scholarships are awarded and managed for optimum use of available funds. As a result, available scholarship funds are generally not optimally used. The University has more than 200 scholarships, a number of which have not had any activity for a long period of time. Some scholarship funds still show significant portions as unspent. For example, as of May 2008 undergraduate scholarship funds had over $250,000 as opposed to over $179,000 in May 2004 of unspent funds. Graduate scholarship funds had over $178,000 unspent in May 2008 as opposed to over $25,000 in May 2004. In addition, the accuracy of scholarship fund information could not be verified, because the fund had not been reconciled to FAMIS.

OSFA management is aware of the problems in this area and has begun to review the scholarship fund with the assistance of the
University’s Compliance department and the System Office of General Counsel for inactive scholarship accounts to determine if they can be consolidated with others of similar criteria. OSFA management also attributes the lack of tracking and reconciliation of the scholarship fund to employee turnover and a lack of qualified staff to effectively develop and perform the necessary reconciliation and monitoring procedures.

**Recommendation**

Improve scholarship management by:

- Developing and implementing a process to track and monitor unused funds by scholarship account.

- Completing the current scholarship consolidation process. OSFA should maintain documentation of any consolidation proposals by the System Office of General Counsel and donor or donor representative agreements that document changes to scholarship criterion.

- Developing and implementing a formal reconciliation process to ensure scholarship data is accurate. Perform a reconciliation on each scholarship account and fund balance. The reconciliation process should document discrepancies between all the systems in use (scholarship database, Banner and FAMIS), reflect adjustments made, track pending corrections and ensure adequate documentary support of reconciling items. The reconciliation process should include evidence of a preparer signature and completion date, evidence of a review and approval (signature and date) by someone other than the preparer, and accurate and timely resolution of reconciling items for each account in accordance with University management guidelines.

**Management’s Response**

We agree with the recommendation and are implementing the following procedures to ensure proper management of scholarships:

1. Reassigned former Scholarship Manager.

2. Reassigning a more ‘seasoned’ financial aid counselor to this area.
2. Scholarship Management (cont.)

3. Continued to work with staff to incorporate more of the scholarships into the automatic award process, thereby ensuring all students have an opportunity to reduce their long-term student loan debt and receive more scholarship funds.

4. Proposed the reorganization of the Financial Aid Office to create personnel dedicated to preparing a formal reconciliation process for all the funds under its purview.

In addition to the aforementioned action, Financial Aid Management proposes the following procedures to facilitate the tracking and monitoring of unused scholarship funds:

1. Continue to work with the Compliance Office to complete the centralization of accounts with low balances.

2. Collaborate with Developments and various academic offices to revise criteria for certain scholarships (i.e. race based, etc.).

3. After a legal review, new criteria should be proposed and used for scholarships with no criteria.

   This process will be implemented by December 15, 2009.

3. Compensatory Time Management

   Observation

Compensatory time and employee turnover need management attention.

OSFA management performed a reorganization based on employee skills, education, and experience. To improve employee accountability, annual performance evaluations have been revised to incorporate goals and objectives to ensure employees understand management expectations. This should improve OSFA’s effectiveness and efficiency. However, additional management attention is needed in the areas of compensatory time management.

OSFA does not have a comprehensive, consistent process to record, maintain, track and monitor compensatory time/leave records. The current system is manual and lacks the sophistication/capability to accurately track expired compensatory time. Twenty-eight percent (4 of 14) of the employees who had earned compensatory time from February 2007 to August 2008 did not have a compensatory time tracking log.
3. Compensatory Time Management (cont.)

A review of four files under the current compensatory time record system initiated in February 2007, found inconsistencies between individual timesheets and the tracking log with respect to a number of issues, including the opening and ending leave balances. The current manual process does not ensure accurate calculation of compensatory leave earned. A number of records were not appropriately approved, in accordance with department rules. This is partly due to a lack of employee compensatory time management training. Inaccurate compensatory time balances could result in the University owing its employees more than actual time worked.

Recommendation

Improve compensatory time management by:

- Developing and implementing compensatory time guidelines for staff.
- Developing and implementing a training program to ensure all OSFA staff understand how to calculate compensatory time and use the electronic timesheet accurately.
- Monitoring and verifying the accuracy of compensatory time records. OSFA should consider having one individual perform this function for improved consistency.

Management’s Response

We agree with the recommendation and are implementing the following procedures to ensure adequate compensatory time management:

1. Develop and implement a training program.

2. Specify one individual to track compensatory time.

3. Compensate employees for unused compensatory time at the end of the fiscal year.
BASIS OF REVIEW

Objective

The objective of this review was to evaluate the financial and management controls over the University's student financial aid system to ensure resources are used efficiently and effectively and in compliance with laws, policies, and regulations.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Federal Code of Regulations and the Federal Student Financial Aid Handbook, Prairie View A&M University rules and other sound administrative practices. This audit was performed in compliance 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

Approximately 90% of the 8,400 students enrolled at Prairie View A&M University in academic year 2007-2008 received some type of financial aid, such as grants, loans, or scholarships. The University awarded over $86 million in federal grants and loans, and approximately $5 million in Texas grants. In addition, students received $22 million in scholarship awards.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Amanda Jenami, CPA, Project Manager
Lori Ellison
Nora Miles, CPA
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://www.tamus.edu/offices/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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Dr. Carlos Clark, Assistant Provost for Student Financial Aid
Ms. Lydia Cavanaugh, Manager of Compliance
PROJECT SUMMARY

Overview

Overall, management controls established within Texas A&M University provide reasonable assurance that financial and non-financial conflicts of interest are properly disclosed and managed for principal investigators (PIs) pursuing research. However, improvements such as requiring all PIs to complete training regarding conflicts of interest and corresponding disclosure requirements would demonstrate greater diligence in assuring that all conflicts are being properly disclosed and managed.

Currently, some conflict of interest training is provided to PIs as part of proposal workshops, but attendance is not mandatory. In addition, current University conflict of interest rules and guidance related to research need to be expanded to address potential conflict of commitment situations. Further efforts, as feasible, should also be made to reduce the risks related to undisclosed conflicts of interest.

Over nine hundred and eighty sponsored research proposals, totaling more than $450 million, were submitted from September 2007 through May 2008. The majority of the proposals were processed by the TAMU Research Foundation, but all proposals were approved by the University’s Division of Research and Graduate Studies. Additionally, the University's Division of Research and Graduate Studies manages any conflict of interest disclosures made during the research process. There are currently only four research proposals with conflicts of interest that have been disclosed under the University’s current significant financial interest thresholds for requiring disclosures.

Summary of Management’s Response

The Office of the Vice President for Research (OVPR) within the Division of Research and Graduate Studies concurs with the statements in the overview section of the project summary.

In consultation with the Offices of the Provost and Executive Vice President for Academic Affairs and the Dean of Faculties and the
Council of Deans, the Vice President for Research (VPR) will establish an ad hoc committee (Committee) to do a comprehensive study of the current rules, procedures and practices and make recommendations to the VPR that will strengthen the University's oversight and management of conflicts of interest. Recommendations may include revisions to the rule that will expand the disclosure requirements, address conflict of commitment, and strengthen the approval processes on other related activities that could bring the researcher into a conflict of interest. The committee may also recommend ways to increase awareness of the disclosure obligations through enhanced training and assistance to researchers, departmental and sponsored project personnel. A special charge to the committee from the VPR will be to determine new ways of identifying undisclosed conflicts.

Scope

The review of management controls over conflicts of interest in research focused on the areas of conflict of interest guidance, training, disclosures, and identification of undisclosed conflicts. In addition, benchmarking was performed with five other peer universities to identify various best practices and procedures regarding management of conflicts of interest in research. Documentation and activities were reviewed primarily for the period September 2007 through May 2008 although some activities outside of this time period were examined as necessary. Fieldwork was conducted from July through August 2008.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Conflict of Interest Training

Observation

Although training is available related to conflicts of interest in research, the following conditions were noted in this area:

- General training workshops on sponsored research provided by the Division of Research and Graduate Studies include conflict of interest; however, attendance by PIs is not mandatory. In addition, A&M System Ethics training required to be taken by all University employees provides only high-level coverage of general conflict of interest requirements.

- PIs surveyed during the audit demonstrated a general awareness of University conflict of interest guidance and corresponding requirements. Most indicated that they were aware that conflict of interest policies and procedures exist and could find them if needed, but would most likely ask for information and assistance instead.

- Management has been researching the possibility of developing an online conflict of interest training course for PIs.

Conflict of interest training is critical for PIs to understand the requirements for disclosing potential conflicts of interest since they are being relied upon to provide this disclosure with few controls to identify undisclosed conflicts. Without proper disclosures there could be damage to the University’s reputation with research agencies resulting in significant loss of research funding. In addition, there could be noncompliance with federal laws and regulations related to conflicts of interest.

Recommendation

Complete current efforts to develop and implement a separate conflict of interest training course for PIs such as online training. Include relevant conflict of interest requirements and corresponding University procedures in this training. Monitor to ensure that this training is completed by all PIs prior to approving their project proposals and that refresher training is also completed periodically as needed. Consider requiring this training for all other
departmental personnel involved in the research project to assist with identification of undisclosed conflicts of interest.

Management’s Response

The OVPR will continue its efforts to develop and implement a separate conflict of interest online training course for principal investigators and other individuals involved in the support or administration of sponsored research and educational activities. A tracking system will be implemented to assure that all active researchers, sponsored contract personnel, and departmental employees responsible for the management and/or support of researchers working on sponsored research projects have been trained and that refresher training is completed periodically. Efforts will be made by the OVPR to include faculty input into the design of a training system and process that will provide the guidance needed in identifying and disclosing potential conflicts of interest and communicating the list of contacts and available support to faculty for questions and assistance. Anticipated date of completion of training and tracking systems is August 31, 2009. Anticipated implementation of the training program will be February 28, 2010.

2. Conflict of Interest Rules and Guidance

Observation

Conflict of interest rules and guidance provided to PIs are generally adequate with the exception of not addressing potential conflict of commitment situations. All five Universities contacted during the audit for benchmarking purposes either include or refer to conflict of commitment requirements in their rules and guidance related to conflicts of interest in research.

The University’s Conflict of Interest Review Committee had previously considered addressing conflicts of commitment situations in the University rules and procedures. However, it was decided that this was not a critical need and might be perceived as too intrusive toward the PIs at the time. Without providing specific requirements and guidance regarding potential conflicts of commitment in research there is a greater risk that outside professional relationships and employment by researchers may conflict and detract from their full-time obligations to the University and project sponsors.
Recommendation

2. Conflict of Interest Rules and Guidance (cont.)

Improve current University rules and guidance related to conflicts of interest in research by including requirements regarding potential conflicts of commitment situations by PIs. Consider the benefits of developing a separate conflict of interest website to provide faculty and staff with easier access to all relevant guidance available in this area.

Management’s Response

In consultation with the Offices of the Provost and Executive Vice President for Academic Affairs and the Dean of Faculties and the Council of Deans, the Committee will assess the benefits of formalizing the current conflict of commitment review process by developing a separate conflict of commitment rule or incorporating language addressing conflict of commitment as part of the conflict of interest rule. Efforts will be made by the OVPR to include faculty input into the evaluation of the rules and in design of a system and process that will provide the guidance needed in identifying and disclosing potential conflicts of interest and the list of contacts and available support to faculty for questions and assistance. Additionally, department heads, with primary responsibility for the management of faculty/researchers’ activities will be represented on the committee reviewing revisions of the rule and implementation plans. The Committee will be established by February 28, 2009 and will complete the study and provide recommendations for a revised rule and guidance by November 30, 2009. The new or amended rule will be submitted for approval by February 28, 2010 with the anticipation of being approved by May 31, 2010.

A separate conflict of interest/conflict of commitment website will be developed after University rules are reviewed and/or revised. Anticipated completion of the website will be three months after the rules have been approved.

3. Undisclosed Conflicts of Interest

Observation

Few methods are currently employed at the University to identify potential undisclosed conflicts of interest related to research.

The University’s current process for managing and controlling conflicts of interest in research places significant reliance on the PI to disclose any potential conflicts during the proposal stage of the research process. However, few methods are currently employed to attempt to identify undisclosed conflicts of interest including those that may exist when subcontracting occurs or sub-awards are made during the research project.
Undisclosed conflicts of interest in research could result in potential damage to the University's reputation with research agencies. This could lead to a significant loss of research funding at the University. In addition, federal sentencing guidelines state that it is important to exercise diligence to prevent and detect unethical conduct and otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

During benchmarking with other universities, several additional processes were noted that may help reduce the risk of undisclosed conflicts of interest in research. Currently, management is in the process of implementing a procedure for obtaining additional conflict of interest disclosures when subcontracting with outside parties/vendors during a research project.

**Recommendation**

Formally review and evaluate the benefits of implementing the following best practices, such as within the University Conflict of Interest Review Committee. Implement these practices as feasible to further reduce the risk of undisclosed conflicts of interest.

- Obtain annual disclosures for PIs in addition to the current event driven disclosures obtained during the proposal stage of research projects. For instance, an existing annual employee reporting process, such as faculty evaluations, could be utilized to obtain these annual disclosures. This could also include use of the University's outside employment disclosure form which must be completed by all employees who have any outside employment. Including requests for these outside employment disclosures on faculty evaluation forms would better ensure they are obtained annually as required.

- Work with the appropriate A&M System offices to incorporate additional conflict of interest information related to research into the A&M System's required ethics training. For instance, include an example of a conflict of interest situation related to research as well as instructions for reporting any known conflicts that have not been properly disclosed.

- Remove current financial thresholds from the University's definition of a significant financial interest in order to require disclosure of all potential conflicts of interest and then subsequently determine their materiality and management.

- Further improve the effectiveness of the PI disclosure process by including several detailed questions for the PI to answer that correlate directly with the University's conflict of interest
dislosure requirements rather than the current process of asking only one overall question about the existence of any conflicts.

Complete implementation of the procedure for obtaining additional disclosures when subcontracting with outside parties/vendors during a research project.

Management’s Response

In addition to reviewing the benefits of conflict of commitment rules and/or guidance, the Committee will review and evaluate the benefits of obtaining annual disclosures from active researchers. Additionally, the Committee will study the current routing, review and approval procedures on issues relating to outside employment, company ownership and/or board appointments that may have the potential for conflict of interest with the University’s research program. Efforts will be made by the OVPR to include faculty, department heads, deans and other University personnel on the Committee to help identify these activities, assess the effectiveness of the current approval and coordination procedures and make recommendations to the Provost and Executive Vice President for Academic Affairs through the Vice President for Research. The committee will be established by February 28, 2009 with an anticipated date of completion of the study and recommendations by November 30, 2009.

As a result of the completion of a training system, the OVPR may have suggestions as to the enhancement of the A&M System’s required ethics training. These recommendations will be submitted to the A&M System by August 31, 2009.

The current disclosure form will be updated to remove financial thresholds and detailed questions will be added to further improve the effectiveness of the disclosure process. Anticipated completion date will be February 28, 2009.

In September of 2008, TAMU Research Services within the Division of Research and Graduate Studies, implemented procedures for obtaining additional disclosures when subcontracting with outside parties during a research project.
BASIS OF REVIEW

Objective

The overall objective was to evaluate the University’s management controls over the disclosure of financial and non-financial conflicts of interest by principal investigators pursuing research contracts and grants.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the Texas A&M University Rules; the Treadway Commission’s Committee of Sponsoring Organization's Internal Control - Integrated Framework (COSO); federal and state laws; and other sound administrative practices. This audit was performed in compliance 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

Conflicts of interest has become a growing area of concern in higher education based upon recent highly publicized situations in which conflicts were identified in certain University areas. Sponsored research is one University area where the potential for conflicts of interest is the greatest. The Division of Research and Graduate Studies at Texas A&M University oversees the management of conflicts of interest in research at the University. The mission of this Division is to provide leadership and coordination in the development, implementation, operation and assessment of programs that support creative scholarship, graduate studies and sponsored research throughout the University. The Division provides research policy and development support including the area of conflicts of interest. In addition, Research Services, which is part of the Division of Research and Graduate Studies, provides
administrative services and information for researchers, administrators and other interested parties at the University. This includes administering the pre-award process for sponsored research where most conflict of interest disclosures are made. Research Services receives some research proposals directly but also works closely with the TAMU Research Foundation to obtain and review proposals initiating at the Foundation. Currently, over nine hundred eighty proposals, totaling approximately $450 million, were reviewed and approved from September 2007 through May 2008 by Research Services.

The University also has a Conflict of Interest Review Committee which reviews conflict of interest disclosures received related to all sponsored research projects and approves the corresponding plans for managing any disclosed conflicts. The Committee is made up of members from the Division of Research and Graduate Studies as well as representatives from various researcher/faculty constituencies throughout the University. The scope of the Committee was recently expanded to include a greater role in the overall strategic direction and policy development for the conflict of interest in research area.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Brian Billington, CPA, Project Manager
Aliza Dirden, CIA
Susan McGrail, CIA

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

Dr. Elsa Murano, President
Dr. Jeffrey S. Vitter, Provost and Executive Vice President for Academics
Dr. Russell Cross, Chief of Staff and Executive Vice President for Operations
Mr. Terry Pankratz, Vice President and Chief Financial Officer
Dr. Theresa A. Maldonado, Interim Vice President for Research and Executive Associate Vice President for Research
Ms. Carol Cantrell, Sr. Associate Vice President for Research
Mr. Greg Foxworth, Assistant Vice President, Research Policy and Development Support
Ms. Charlene Miller, Assistant Vice President, Research Services
Mr. Charley Clark, Associate Vice President for University Risk and Compliance
PROJECT SUMMARY

Texas A&M University's processes for human resources operations provide reasonable assurance that the University is in compliance with human resource-related laws, policies, regulations, and rules. Changes made over the last several years have strengthened the support provided to the University's decentralized human resources functions. These changes include the reorganization of the Department of Human Resources, redesign of the Human Resources Liaison program, implementation of a compliance monitoring program, and the implementation of new software programs. Additional improvements can be made in the areas of training, hiring, terminations, and performance evaluations.

The results of our audit work indicate that the University's Compliance and Data Analysis Unit has made significant strides in increasing the effectiveness of training, providing support for the decentralized department liaisons, and monitoring compliance for decentralized human resources processes. The ongoing compliance monitoring initiative should continue to improve controls over the decentralized units that provide human resources support.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Mandated Training

Observation

System policy identifies four training courses for all System employees to complete upon hiring and that must be retaken on a periodic basis. These training courses are: employment discrimination and sexual harassment, ethics, information security awareness, and reporting fraud, waste, and abuse. Each of the training courses is available on the Texas A&M University System's online training system, TrainTraq.
Overall completion of required training ranged between 88% and 93%. As these programs are mandatory, the overall University numbers need improvement. The University has not established a formal goal for completion of required training. Failure to properly educate student workers, staff and faculty on these issues can increase the University’s risk exposures ranging from compliance issues to possible criminal activities.

The completion rates were as follows:

<table>
<thead>
<tr>
<th>Completion Rates (within 30 days of due date) by Employee Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Type</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Student Worker</td>
</tr>
<tr>
<td>Staff</td>
</tr>
<tr>
<td>Faculty</td>
</tr>
<tr>
<td>Combined</td>
</tr>
</tbody>
</table>

The TrainTraq system sends reminder emails on a monthly basis to all employees who have outstanding assignments. Human Resources also monitors TrainTraq data and sends reports to the employee liaisons on a monthly basis. This information is not currently sent to senior management for corrective action. Human Resources has recently begun working with the Dean of Faculties to develop a process to improve the completion rates for faculty.

**Recommendation**

Identify those employees who are delinquent on required training and take appropriate measures, including executive management intervention if necessary, to ensure compliance.

Establish a formal performance measure and goal to establish the University's support for completion of required training on an ongoing basis.
Management’s Response

Human Resources developed a university-wide compliance report that will be provided to senior leadership on a regular basis. Human Resources will communicate directly with vice presidents, deans and department heads with a list of employees who are significantly delinquent and provide guidance on management intervention strategies. The dissemination of university-wide compliance and delinquency reports will be implemented by November 30, 2008.

Human Resources will collaborate with the Center for Employee Education to convene a cross-representational task force on training compliance to 1) establish performance goals for System-mandated training courses; 2) evaluate and recommend non-compliance procedures; and 3) formalize the recommended procedures and responsibilities with rules and standard administrative procedures as appropriate. The task force for training compliance will provide recommendations to senior leadership by February 28, 2009, with implementation of approved recommendations by August 31, 2009.

2. Decentralized Human Resources Functions

Observation

Decentralized human resources functions are not consistently documented to ensure they are being conducted in accordance with applicable laws, policies, and regulations. Exceptions identified included the following:

- Ten out of fifty-eight (17%) hiring files did not contain evidence of interview questions and/or applicant answers. However, the individual hiring managers had indicated on the Hiring Process Compliance Checklist that a standard set of questions was used and the answers were documented. According to University Rule 33.99.01.M1, Hiring Rules for Non-Faculty Positions, University departments are responsible for retaining copies of interview notes for each position for a period of two years. Without properly documenting the interview questions and answers, the department is unable to prove that the candidates were asked the same questions and that the individual hired was the best candidate.

- For thirty-one out of sixty (52%) terminated employees, there was no documentation to show that property, IDs, credit cards, and keys were returned and computer access was terminated.
These issues and others should be addressed by departments upon an employee’s termination or transfer and are included in the Employee Exit Checklist made available by Human Resources. Failure to retrieve state property or terminate access to it increases the risk that terminated individuals may use University assets inappropriately or access systems or locations without authorization.

- Six out of fifty-three (11%) performance evaluations reviewed did not include employee performance objectives and initiatives. According to A&M System Regulation 33.99.03, Performance Evaluation for Non-Faculty Employees, the purpose of employee performance evaluations is to inform employees of the quality of their work, to identify areas needing improvement, set specific objectives for employees, and provide an opportunity to discuss career goals and the support needed to meet those goals.

Decentralized human resources processes are performed or supported by over 350 individuals known as employee liaisons. The University’s Employee Services Department provides tools and resources for supervisors and liaisons for all decentralized human resources processing areas. Liaisons are provided extensive training on each of the areas of responsibility for human resources functions. Supervisors who perform the hiring, evaluation, and terminating functions have not been required to attend related training and some supervisors perform these functions without the assistance of a trained liaison.

**Recommendation**

During required liaison training, stress the importance of monitoring the decentralized human resources processes. Supervisors with the responsibility for employee hiring, terminations or performance evaluations should be required to take relevant training or have someone who has taken the training review the corresponding documentation to ensure it is complete. Human Resources should monitor for compliance where practical.

**Management’s Response**

*Human Resources will continue to require Human Resources liaisons to complete training courses on hiring, termination and performance evaluation processes and will update the training to stress the liaisons’ role in reviewing the corresponding documentation to monitor compliance of each process. Human Resources will continue to monitor compliance and implement enhanced monitoring activities where applicable on hiring.
processes, termination procedures and performance evaluation processes.

*Human Resources will develop and implement required training on hiring processes and documentation for the supervisor making the hiring decision.* The new training course will be implemented as a pilot program within the Division of Finance by May 31, 2009, with development of a work plan and timeline for university-wide implementation by August 31, 2009.

*Human Resources will review termination processing procedures used across the University to evaluate the establishment of standardized procedures and documentation to be used by liaisons and supervisors.* Human Resources will develop a work plan and timeline of new procedures by May 31, 2009, with university-wide implementation by August 31, 2009.

*Human Resources will review and update the performance evaluation forms and online resources, and provide additional guidance to liaisons and supervisors on conducting evaluations in accordance with System Regulation 33.99.03.* The performance evaluation forms, resources and communications to liaisons and supervisors will be updated and implemented by February 28, 2009 for the upcoming evaluation period.
BASIS OF REVIEW

Objective and Scope

The overall objective was to analyze the University’s management processes for human resources to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner, and in compliance with laws, policies, regulations, and rules. The review focused on hiring procedures, state and System mandated training, required workplace notices, termination procedures, and performance evaluations. Audit tests did not include faculty with the exception of state and System mandated training, or the Colleges of Agriculture or Engineering. The audit reviewed activities at more than 70 departments across campus from September 2007 to June 2008. Audit fieldwork was conducted June 2008 to August 2008.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M University Rules, and other sound administrative practices. This audit was performed in compliance 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 University’s human resources management function is decentralized to approximately 160 departments university-wide. There are approximately 350 Employee Services liaisons providing human resources functions to the departments across campus. The University employs approximately 11,000 budgeted employees and 7,600 wage employees. The University’s Office of Human Resources consists of Human Resources Management Services; Policy and Practice Review; and Organizational Development. They provide support in the form of liaison and employee training, liaison network meetings, online information,
toolkits and templates, and reminders to others regarding human resources topics.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

David Maggard, CPA, Project Manager
Katina Greenlee, CPA
Mark Heslip
Tom Miller, CISA
Joseph Mitchell
Katherine Redo
Kim Rutledge, CISA

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

Dr. Elsa Murano, President
Dr. Russell Cross, Chief of Staff and Executive Vice President for Operations
Dr. Jeffrey S. Vitter, Provost and Executive Vice President for Academics
Mr. Terry Pankratz, Vice President for Finance and Chief Financial Officer
Ms. Janelle Ramirez, Executive Director, Human Resources Management Services
Mr. Charley Clark, Associate Vice President for Risk and Compliance
PROJECT SUMMARY

Texas Transportation Institute’s environmental health and safety (EH&S) program provides reasonable assurance that Agency operations are carried out in a safe and healthful manner, and in compliance with laws, policies, regulations, and Agency rules. The Agency’s EH&S program includes annual risk assessments, pretest reviews, comprehensive and accessible written procedures (on the Intranet), employee safety training and periodic safety inspections. The program relies heavily on Texas A&M University’s EH&S Department for its safety inspections and hazardous waste disposal, and is currently developing an environmental policy statement to ensure Agency activities are in compliance with A&M System Policy 24.01, Risk Management. The Agency’s EH&S program has representation on A&M System’s Risk Management and Safety Council, Texas A&M University’s Environmental Management Committee, and Texas A&M University’s Riverside User’s Group.

The Agency’s Proving Grounds Research Facility recently enhanced its testing and calibration procedures (quality management system) to comply with International Organization for Standardization (ISO) Standard 17025 (General Requirements for the Competence and Testing of Calibration Laboratories), in order to prepare their laboratory for its initial accreditation review.

During the audit, management expressed their commitment to provide employees with a safe and healthful work environment. Management indicated that safety is the business and responsibility of every employee and is best achieved through proper safety controls, education, training, use of protective equipment, and compliance with safety rules, standards and laws.

BASIS OF REVIEW

Objective and Scope

The overall objective was to review and assess the adequacy of the Agency’s controls and processes over environmental health and safety operations to ensure that they provide reasonable assurance that a safe environment exists for Agency personnel. Also, to determine that the Agency is in compliance with laws,
policies, regulations, and Agency rules relevant to environmental health and safety.

The review of environmental health and safety focused on the areas of laboratory and facility safety inspections, safety training, and policies and procedures for the Agency’s safety functions for the period September 2007 through October 2008. Fieldwork was conducted in September and October 2008.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; Texas Transportation Institute’s Safety and Risk Management Procedures and Programs, federal and state laws; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this compliance 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 environmental health and safety program at the Texas Transportation Institute falls under the primary responsibility of the Manager of Facilities, Safety and Support Services (also serving as the Agency Safety Officer). This position, in turn, reports to the Executive Associate Agency Director. The Agency Safety Office has one full-time equivalent employee, between three employees, to manage the Agency’s environmental health and safety operations, with a budget of approximately $140,000.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

| Amanda Jenami, CPA, Project Manager |
| Katherine Redo |
| Darwin Rydl, CPA |

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://www.tamus.edu/offices/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

| Dr. G. Kemble Bennett, Vice Chancellor for Engineering, Dean of Engineering at Texas A&M University |
| Dr. Dennis Christiansen, Director |
| Mr. Don Bugh, Executive Associate Agency Director |
| Ms. Holly Crenshaw, Manager of Facilities and Support Services |
| Ms. Deena Wallace, Assistant Vice Chancellor for Administration and Legal Affairs |
PROJECT SUMMARY

Texas AgriLife Extension Service’s environmental health and safety program provides reasonable assurance that its mission is accomplished in a safe and environmentally friendly manner, and is in compliance with laws, policies, and regulations. The program’s mitigation activities include periodic safety inspections which are part of an agency-wide compliance monitoring program.

AgriLife Extension shares the environmental health and safety program with AgriLife Research and Texas A&M University’s College of Agriculture and Life Sciences. This arrangement enhances operational efficiency and effectiveness of the program.

BASIS OF REVIEW

Objective and Scope

The objective of the review was to assess the controls and processes to ensure they provide reasonable assurance that a safe environment exists for Agency personnel. In addition, determine if the Agency is in compliance with relevant laws, policies, regulations, and rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas AgriLife Extension Service rules and procedures, and other sound administrative practices. This audit was performed in compliance 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 environmental health and safety program at AgriLife Extension falls under the primary responsibility of the Associate Vice President for Fiscal Services. One full-time Safety Coordinator funded partially by AgriLife Extension and AgriLife Research is housed in the Texas A&M University Environmental Health and Safety Department (EHSD) and reports jointly to AgriLife Extension and Texas A&M EHSD. Working in conjunction with Texas A&M and AgriLife Research, the Safety Coordinator is responsible for the environmental health and safety duties for both agencies. Texas A&M EHSD retains ultimate responsibility for the health and safety operations located in the College Station area while the Safety Coordinator inspects the district offices and the 4H Conference Center in Brownwood. The Safety Coordinator provides safety leadership, training, and safety consultation for AgriLife Extension.

The mission of AgriLife Extension is to improve the lives of people, businesses, and communities across Texas and beyond through high-quality, relevant education.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Amanda Jenami, CPA, Project Manager
Tracey Sadler, CIA

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://www.tamus.edu/offices/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

Dr. Mark Hussey, Vice Chancellor and Dean, College of Agriculture and Life Sciences, and Director, Texas AgriLife Research
Dr. Ed Smith, Director, Texas AgriLife Extension Service
Ms. Donna Alexander, Assistant Director for Fiscal Services-Agriculture Program, Texas AgriLife Extension Service
Mr. Michael McCasland, Assistant Director for Fiscal Services-Agriculture Program, Texas AgriLife Research
PROJECT SUMMARY

Overall, the controls established by the Office for Advancement at Texas A&M University – Commerce related to the Development Office are effective in providing reasonable assurance that Development Office operations are operating in compliance with applicable federal laws and guidelines and the regulations and rules of the University. Raiser’s Edge software, used to manage gifts given to the University’s Foundation, is adequately controlled for sensitive donor gift and contact information.

BASIS OF REVIEW

Objective and Scope

The objective was to review and assess the University’s controls and processes over the Development Office operations to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Our review of the financial and management controls of the Development Office focused on the adequacy of controls over disbursement transactions, including access to financial resources of the Texas A&M University – Commerce Foundation and compliance with System policies and regulations. Activities and documentation related to these transactions were reviewed for the period from September 2007 through August 2008. Audit fieldwork was conducted in October 2008.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Texas A&M University - Commerce Administrative Rules and Procedures; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. This audit was performed in compliance 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 mission of the Office for Advancement at Texas A&M University – Commerce is to support and communicate the mission of the University and to create meaningful relationships and fundraising opportunities which encourage excellence, innovation and growth. The Development Office, one of the several departments within the Office for Advancement, manages financial information and technology systems which house, track and provide donor information, timely reports, and news and marketing efforts to support all University Advancement activities. The Texas A&M University-Commerce Foundation is a private, nonprofit organization formed to assist in the development of the University. The Foundation provides a means by which donors can provide gifts to support the University’s scholarships, endowments and other programs. The Foundation received approximately $2 million in gifts from donors in fiscal year 2008 on behalf of the University.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

William Williams, CPA, Project Manager
Chris Powell

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://www.tamus.edu/offices/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

Dr. Dan Jones, President
Mr. Bob Brown, Vice President for Business and Administration
Mr. Rex Giddens, Assistant Vice President for Business and Comptroller
Mr. Derryle Peace, Director of Alumni Relations
PROJECT SUMMARY

For its 2006 Advanced Research Program (ARP) grants, Texas AgriLife Research generally has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions. However, exceptions were noted throughout compliance testing which indicated a stronger monitoring function is needed to ensure compliance with all expenditure and reporting requirements. The Texas AgriLife Research agency received the following grants in 2006:

- Project Number 000517-0002-2006: Single Molecule Investigation of Epigenetic Regulation in Breast Cancer, award amount $100,000.
- Project Number 000517-0003-2006: The Chemistry of Life’s 24-Hour Clock and Its Importance to Texas Agriculture, award amount $100,000.
- Project Number 000517-0005-2006: Mechanism of Enhanced Resistance Towards Fungal Pathogens in Chitinase-Expressing Transgenic Cotton, award amount $100,000.
- Project Number 000517-0006-2006: Identification of the Telomerase RNA Template Subunit from Arabidopsis, award amount $100,000.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Monitoring

Observation

The current monitoring function in place over Advanced Research Program grants is not adequate to ensure grants are administered within all grant conditions established by the Texas Higher Education Coordinating Board.
The following exceptions to grant requirements were identified during our test work:

- One of two (50%) principal investigators who resigned from the Agency prior to expiration of their respective grants did not provide timely notification to the Coordinating Board of his departure. This principal investigator was associated with Project Number 000517-0003-2006.

- One of eight (13%) progress reports reviewed was not filed by the reporting deadlines. The principal investigator responsible for the grant resigned prior to submission of the delinquent progress report. The Coordinating Board was not notified that a final report would be filed in place of the progress report until after the progress report deadline had passed. The delinquent progress report was affiliated with Project Number 000517-0003-2006.

- Two of two (100%) publications reviewed in conjunction with Project Numbers 000517-0002-2006 and 000517-0003-2006 did not have acknowledgement of Coordinating Board support.

The Texas Higher Education Coordinating Board’s grant conditions specifically state that an investigator who leaves the grantee institution must notify the Coordinating Board prior to the investigator’s resignation. Grant conditions also require that progress reports be submitted by March 1 each year during which the grant is active and that an acknowledgement of Coordinating Board support must appear in any publication of any material based on the project.

**Recommendation**

Strengthen the current monitoring function to ensure that ARP grants are administered within all Texas Higher Education Coordinating Board grant conditions by verifying that the Coordinating Board is notified prior to a principle investigator’s resignation from the Agency, progress reports are filed by established due dates, and publications contain acknowledgement of Coordinating Board support.

**Management’s Response**

To address the issues found in this audit, Texas AgriLife will take the following steps immediately:
1. The units and the PIs will be counseled on the ARP guidelines annually.
2. Contracts & Grants will increase its interaction with HR and the units to monitor changes to the PI employment status.
3. Carefully monitor progress reports for timely submission and for publications requiring Coordinating Board acknowledgements to verify acknowledgments are included.

**BASIS OF REVIEW**

**Objective and Scope**

The objective of this audit was to test Texas AgriLife Research’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with ARP awards. Transactions related to these grants were reviewed for the period of May 2006 to May 2008. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program as criteria to determine the following:

- If expenditures, including salaries, were allowable and related to grant activities.
- If budget transfers were appropriately approved.
- If required reports were filed timely.
- If all other requirements set forth in the grant conditions were met.

**Criteria**

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program and other sound administrative practices. This audit was performed in compliance 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 Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. The programs are administered by the Texas Higher Education Coordinating Board.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Madelyn Galloway

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrmcir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

Dr. Mark Hussey, Vice Chancellor and Dean, College of Agriculture and Life Sciences, and Director of Texas AgriLife Research
Dr. William A. Dugas, Agency Deputy Director
Mr. Michael E. McCasland, Assistant Director for Fiscal Services
Ms. Diane Gilliland, Assistant Director for Research Administration
PROJECT SUMMARY

For its 2006 Advanced Research Program (ARP) grants, Texas A&M University – Commerce generally has controls in place to ensure compliance with most of the Texas Higher Education Coordinating Board’s grant conditions. However, we did note exceptions in our compliance testing which indicated that a stronger monitoring function is needed to ensure compliance with all expenditure and reporting requirements. The University received the following grants in 2006:

- Project Number 003565-0002-2006: *Investigation of the Formation of Intentionality in Intelligent System*, award amount $100,000.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Monitoring

Observation

The current monitoring function in place over Advanced Research Program grants is not adequate to ensure grants are administered within all grant conditions established by the Texas Higher Education Coordinating Board.

The following exceptions to grant requirements were identified during our test work:

- Two of 25 (8%) vouchers reviewed in conjunction with Project Number 003565-0002-2006 were payments for tuition costs.
- Two of six (33%) reports reviewed in conjunction with Project Number 003565-0002-2006 were not filed by reporting
deadlines. One progress report was submitted 44 days past the March 1 due date established by the Coordinating Board. One final technical report was over 50 days past due at the time of audit fieldwork.

- Five of 14 (36%) publications reviewed in conjunction with Project Number 003565-0002-2006 did not have acknowledgement of Coordinating Board support.

The Texas Higher Education Coordinating Board’s grant conditions specifically state that no tuition may be paid with grant funds. Grant conditions also require that progress reports must be submitted by March 1 each year during which the grant is active, final reports must be electronically filed with the Coordinating Board within 30 days of the expiration of the grant, and an acknowledgement of Coordinating Board support must appear in any publication of any material based on the project.

Recommendation

Strengthen the current monitoring function to ensure that ARP grants are administered within all Texas Higher Education Coordinating Board grant conditions by verifying that expenditures are made in compliance with grant conditions, progress and final technical reports are filed by the Coordinating Board’s due dates, and publications contain acknowledgement of Coordinating Board support.

Management’s Response

The Grants Accountant, in collaboration with the Office of Sponsored Programs, has already put in place mechanisms to strengthen the monitoring of all grants, including those of the Advanced Research Program (ARP). The Grants Accountant has established a methodology for tracking grant deadlines to ensure that all reports, including technical and financial, are completed in a timely manner; this includes regular and periodic communication with all principle investigators (PIs) of upcoming deadlines for each of their grants. In addition, a hard copy of all technical and financial reports will now be housed in this office. Additional Financial Services staff members have been made aware of the methodology, and the calendar containing all due dates is available to the Financial Services Office and the Office of Sponsored Programs.

In conjunction with the Office of Sponsored Programs, the Grants Accountant has also started a series of periodic grant workshops to aid all PIs and grant personnel to monitor their grants and actively track the various expenditures. The workshops also cover the
requirements and guidelines for each grant to ensure the PIs are aware of all the requirements and appropriate charges that can be made against each grant. In addition, these workshops also cover the importance of following the guidelines, such as appropriate acknowledgment of funding. This is all a part of our effort to continue to develop a culture of research at our campus. The first of these workshops took place earlier this semester and another is scheduled for next semester. The Grant Accountant will also conduct a final review for each grant to ensure that all grant conditions and requirements were met throughout the length of the grant once the final technical report is filed.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the University’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with ARP awards. Transactions related to these grants were reviewed for the period of May 2006 to May 2008. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program as criteria to determine the following:

- If expenditures, including salaries, were allowable and related to grant activities.
- If budget transfers were appropriately approved.
- If required reports were filed timely.
- If all other requirements set forth in the grant conditions were met.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program and other sound administrative practices. This audit was performed in compliance 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 Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. The programs are administered by the Texas Higher Education Coordinating Board.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Sandy Ordner, CPA
Tracey Sadler, CIA

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

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Dr. Allan Headley, Dean of Graduate Studies and Research
PROJECT SUMMARY

For its 2006 Advanced Research Program (ARP) grants, the Texas A&M University System Health Science Center (HSC) generally has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions. We noted one of the four progress reports for the principal investigators who had 2006 ARP grants was not filed timely. The HSC received the following grants in 2006:

- Project Number 003639-0019-2006: Biological Sciences – Molecular Biology and Genetics, award amount $98,810.
- Project Number 000089-0021-2006: Insights Into the Molecular Basis of Amyloid Diseases, award amount $100,000.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Progress Reports

Observation

One out of four progress reports, submitted in conjunction with Project Number 003639-0019-2006 for the 2006 program year awards, was not submitted by the Coordinating Board’s March 1 due date. Oversight of the deadline resulted in the report being delinquent for a period of nine days.

The Coordinating Board’s requirements state that progress reports must be submitted by March 1 of each year during which the grant is active.

Recommendation

Submit progress reports by the Texas Higher Education Coordinating Board’s established due date.
Management's Response

The Texas Higher Education Coordinating Board (THECB) Advanced Research Program (ARP) grants are administered through an online system. All proposals, awards and reports are submitted by the Office of Sponsored Projects (OSP) as determined by the HSC. The Office of Research and Graduate Studies (ORGS) serves as the OSP and THECB contact through this online system. The ORGS was notified of the progress report deadline and forwarded this notification to the Principle Investigator (PI). The PI completed the progress report before the March 1 deadline but failed to complete the online process. The ORGS contacted the PI on March 10 to notify him of the delinquent report status, at which time he immediately submitted the report electronically to the ORGS. The ORGS then submitted the report to the Coordinating Board. The PI was not familiar with the online system and therefore the report, although completed prior to the deadline, was not submitted to the THECB in a timely manner. The ORGS will ensure PIs follow the appropriate online procedure regarding submission of ARP reports in the future.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the HSC’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with ARP awards. Transactions related to these grants were reviewed for the period of May 2006 to May 2008. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program as criteria to determine the following:

- If expenditures, including salaries, were allowable and related to grant activities.
- If budget transfers were appropriately approved.
- If required reports were filed timely.
- If all other requirements set forth in the grant conditions were met.
Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Texas Higher Education Coordinating Board's 2006 Grant Conditions for the Advanced Research Program, and other sound administrative practices. This audit was performed in compliance 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 Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. The programs are administered by the Texas Higher Education Coordinating Board.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Madelyn Galloway

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

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Dr. David S. Carlson, Vice President for Research and Graduate Studies
Dr. James R. Joyce, Assistant Vice President for Research Administration
Ms. Julie Bishop, Assistant Director for Sponsored Projects
PROJECT SUMMARY

For its 2006 Advanced Research Program (ARP) grants, Texas A&M University and Texas A&M University at Galveston have controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions. Expenditures for the grants were allowable, and all other applicable Texas Higher Education Coordinating Board requirements were met.

Texas A&M University received the following grants:

- Project Number 010366-0006-2006: Scanned Probe Lithography Approaches for the Fabrication of Plasmon Enhanced Quantum Optics, award amount $100,000.
- Project Number 010366-0004-2006: Producing Ultracold Molecules via Magnetic Traps-on-a-Chip, award amount $100,000.
- Project Number 010366-0002-2006: Chemical Synthesis of Nanostructured Shape Memory Alloys, award amount $100,000.

Texas A&M University at Galveston received the following grant:

- Project Number 010298-0005-2006: Shipward – Introduced, Exotic and Invasive Species Around the World: Concerns for Texas, award amount $98,337.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test Texas A&M University and Texas A&M University at Galveston’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with ARP awards. Transactions related to these grants were reviewed for the period of May 2006 to May 2008. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program as criteria to determine the following:
• If expenditures, including salaries, were allowable and related to grant activities.

• If budget transfers were appropriately approved.

• If required reports were filed timely.

• If all other requirements set forth in the grant conditions were met.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Texas Higher Education Coordinating Board's 2006 Grant Conditions for the Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance 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 Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. The programs are administered by the Texas Higher Education Coordinating Board.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Madelyn Galloway

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: chrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

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Ms. Janet Killion, Director, Project Administration
Ms. Michelle McMillin, Management Advisor for University Risk and Compliance
PROJECT SUMMARY

For its 2006 Advanced Research Program (ARP) grants, the Texas Engineering Experiment Station has controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions. Expenditures for the grants were allowable, and all other applicable Texas Higher Education Coordinating Board requirements were met. The Texas Engineering Experiment Station received the following grants:

- Project Number 000512-0003-2006: Nanofluid Technology for Advanced High-Efficiency Industrial Applications and Bioassay Development, award amount $100,000.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the Agency’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with ARP awards. Transactions related to these grants were reviewed for the period of May 2006 to May 2008. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program as criteria to determine the following:

- If expenditures, including salaries, were allowable and related to grant activities.
- If budget transfers were appropriately approved.
- If required reports were filed timely.
- If all other requirements set forth in the grant conditions were met.
Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System, the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Advanced Research Program, and other sound administrative practices. This evaluation was performed in compliance 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 Advanced Research Program was created by the Texas Legislature in 1987 as a competitive, peer-reviewed grant program to fund scientific and engineering research projects of faculty members at Texas higher education institutions. The programs are administered by the Texas Higher Education Coordinating Board.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

Kim Pekar, CPA, Project Manager
Madelyn Galloway

Contact Information

For questions regarding this review, contact Charlie Hrncir, Director.

E-Mail: c-hrncir@tamu.edu
Phone: (979) 458-7100
Fax: (979) 458-7111
Web Site: http://www.tamus.edu/offices/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

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Dr. G. Kemble Bennett, Vice Chancellor for Engineering, Dean of Engineering at Texas A&M University
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