PROJECT SUMMARY

Overall, the enterprise risk management (ERM) processes at Texas AgriLife Research provide reasonable assurance that significant events that could adversely affect the accomplishment of key goals will be identified, evaluated appropriately and assigned appropriate mitigation and monitoring strategies. The broad categories of risks detailed in the risk matrix are in line with AgriLife Research’s Strategic Plan and it’s Compact with the A&M System. AgriLife Research has developed an ERM procedure and an ERM plan that provide guidance on the Agency’s underlying approach to risk management and assign responsibility to the senior management team and other key parties. AgriLife Research management has designed appropriate mitigation strategies and control activities to address the risks identified. Control activities include internal control reviews, business continuity plan, advisory committees, employee training, external agency reviews, and written procedures.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Employee Training

Observation

While Agency senior management communicated its ERM plan and ERM procedure to the unit heads, it has not provided them or their employees with training to assist in better understanding the Agency’s ERM processes and terminology. For example, to ensure common interpretation, unit heads could have been trained on the Agency risk appetite, risk response, and risk evaluation before being requested to submit information on them. The ERM processes should also aim to train all employees of their responsibilities in managing risk in their daily operations. Part of effective ERM processes is the recognition by employees that risk management is important and that they are expected to communicate significant risks upstream. In addition, sharing the
ERM processes helps emphasize that everyone in the organization is a “risk manager.”

Recommendation

Provide employees with training on the Agency’s ERM processes and the general concepts of risk management.

Management’s Response

A general description of AgriLife Research’s ERM processes as well as the general concepts of risk management will be placed on the Agency’s web page. This description will include definitions of relevant terms and will inform employees of their responsibility to manage risk in their daily operations and to communicate any significant risks to Agency higher management. An email informing all employees of this information and providing a link will be sent out when complete. This will help insure that all employees understand the ERM process and the role they should play in that process. We plan to complete this by December 31, 2009.

2. Communication Debate Method

Observation

The Agency has improved the process by which it identifies and evaluates risk by involving (in fiscal year 2009) research directors and unit heads. However, while primarily using email as the method to gather risk information, the Agency did not benefit from bringing people together to discuss/debate risk and its management. With a debate format, new insights are identified and awareness of the nature of risks is raised. This type of method promotes and reinforces consistency and understanding by presenting a shared view of the most significant risks. It also enables management to assess risks relative to each other. For the fiscal year 2009 cycle, 39% (11 out of 28) of the unit heads responded with risk information. Four of the ten interviewed by the audit team indicated they had consulted with their employees in arriving at the risk information submitted. The risk inventory is more comprehensive when management seeks input from more levels within the organization. Involving more people also ensures employee buy-in which is critical in instilling the “everyone is a risk manager” concept. Thus, it is important to have both cross-discipline and cross-level involvement.

While the finalized risk matrix was communicated to the entire organization, there is no evidence of feedback to individual unit
heads on how their respective information was used. This is especially important because 50% of the unit heads interviewed by the audit team indicated that they were not sure how the ERM processes benefited their unit.

**Recommendation**

Improve the Agency’s ERM processes by:

- Seeking to have a more cross-level, cross-discipline discussion/debate by involving employees from different disciplines and levels.
- Gathering risk information through facilitated discussions in addition to email submission.
- Providing individual units with feedback on their respective risk information for continued buy-in and support.

**Management’s Response**

Unit heads will be asked to include employees at all levels in the process. Each unit will be required to create a consolidated list of comments which will be discussed/debated at unit head meetings. Final decisions as to what to include in the plan will be made at the administrative level; however, each unit will be given feedback with regard to their specific input. This will help insure that all employees are included in the process and will have an understanding of the Agency administration's direction with the ERM Program. We plan to have this complete by December 31, 2009.

**BASIS OF REVIEW**

**Objective and Scope**

The overall objective was to review the Agency’s enterprise risk management processes and determine if the key elements are designed to identify and mitigate risks through the use of a systematic, organization-wide approach. The review focused on the elements of risk identification, evaluation, response, control and monitoring activities performed for the period September 1, 2007 through November 30, 2008. Fieldwork was conducted from February to April 2009.
Criteria

Our review was based upon standards as set forth in the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO) and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform to 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 AgriLife Research’s mission is to conduct research that benefits consumers and the agricultural industry; maintain and enhance the environment and natural resources; ensure a safe, wholesome and affordable supply of agricultural products; and contribute to the state’s economic vitality. Texas AgriLife Research’s annual operating expenses for fiscal year 2008 were approximately $183 million, supporting 13 research centers and associated research stations. Texas AgriLife Research has approximately 1,700 employees.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

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