PROJECT SUMMARY

Overview

Texas A&M University – Corpus Christi was in the process of transitioning their Physical Plant operations during this review to ensure financial and management controls over resources are used efficiently, effectively, and in compliance with laws, policies, regulations, and rules. Recent changes include a new leadership team and the drafting of new operating procedures which should help improve future operations. During this audit period, it was noted that significant improvements need to be made in the construction project management process. Opportunities for improvement also exist in the areas of staff safety training, facilities assessment and maintenance, and construction contract language.

The University’s Physical Plant has approximately 100 full-time staff and operating expenditures of approximately $9 million. The department performs a wide range of services and activities including facilities support, planning and construction services, custodial services, grounds maintenance, and facilities maintenance.

Summary of Significant Results

Construction Project Management

University construction projects were not administered in accordance with certain provisions of the A&M System “Uniform General and Supplementary Conditions” (UGSC) for construction projects. Overall, the construction project files were not well organized, and did not contain documentation to support that required procedures were performed. Our testing of 28 construction project files resulted in significant exception rates for several construction related requirements, such as final inspections. Without a formal standardized process for the management of all construction projects, the University’s risk is increased for noncompliance with construction requirements, unforeseen liabilities, and undetected errors in the quality of construction projects.
Summary of Management’s Response

The University agrees with the recommendations and will make improvements in the construction management process, and in the other areas identified in this report.

Scope

The review of financial and management controls within the University’s Physical Plant focused on the areas of maintenance; construction administration; service contracts; cost accounting; supply inventory; procurement card transactions; employee licenses, certifications, and safety training; and performance measures. Transactions and activities related to these areas were reviewed for the period of September 1, 2009 through December 31, 2010. Fieldwork was conducted from March to May, 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Construction Project Management

Observation

University construction projects were not administered in accordance with certain provisions of the A&M System “Uniform General and Supplementary Conditions” (UGSC) for construction projects. Testing was performed on 28 of 69 construction projects totaling approximately $3.2 million. Overall, the construction project files were not well organized, and did not contain documentation to support that required procedures had been completed. The following exceptions were noted in our review of the construction project files:

- Eighty-two percent (23 of 28) of the project files had no documentation to support that inspections were completed, including final inspections and punch list items at the end of the project.

- Sixty-seven percent (10 of 15) of the Job Order Contractor project files did not contain the “Notice to Proceed” form which documents that Physical Plant management has approved the project to start.

- Forty-seven percent (7 of 15) of the Job Order Contractor project files did not contain the “Facilities Modification Request” form that the requesting department sends to Physical Plant identifying the work they would like to have performed.

- One-hundred percent (13 of 13) of the General Contractor project files did not contain documentation that the Certificate of Insurance was in effect through the warranty period, which is one year after the completion date. In addition, there was no indication that an inspection was conducted near the end of the warranty period to identify any defects for the General Contractor to correct, which could reduce the University’s future liability for such defects.

During the audit period, the Physical Plant’s Planning and Construction area had experienced turnover in several key positions. Additionally, Planning and Construction was in the
1. Construction Project Management (cont.)

Process of developing written procedures, which were in the review and approval process, to guide operations and ensure compliance with the A&M System UGSC and provide better supporting documentation of the construction project process. Incomplete construction project files make it difficult to determine if all required project management processes have been carried out. Without a more formal standardized process, the University increases the risk of noncompliance with requirements, unforeseen liabilities, and undetected errors in the quality of the construction project.

Recommendation

Finalize and implement the written procedures and checklists that are currently in draft form to improve the organization and consistency of the construction project management activity.

Monitor construction project activities and files to ensure compliance with the newly implemented procedures and checklists.

Management’s Response

Written procedures and checklists that are in compliance with the A&M System Uniform General and Supplementary Conditions (UGSC) are currently in draft form and will be formally implemented by February 28, 2012.

To facilitate project management processes, all files for fiscal year 2012 and beyond will have a project checklist. These checklists will be reviewed to determine that all documents and processes have been completed. Starting January 2012, the construction project management files will be internally audited for completeness.

2. Safety Training

Observation

Annual refresher training for hazard communication and blood borne pathogen training was not completed.

A review of employee training records indicated nine of thirty (30%) Physical Plant employees did not complete the annual hazard communication refresher training, and eleven of thirty (37%) did not complete the required annual blood borne pathogen refresher training. The lack of completed training was due to staffing shortages which hindered attendance at times and limited monitoring by management due to key position transitions. Without periodic training, employees may not be fully prepared to handle situations involving hazardous materials. University procedures require employees assigned to specific departments
2. Safety Training (cont.)

The University lacks a complete and comprehensive facilities condition assessment.

Recommendation

- Ensure that the required annual hazard communication and blood borne pathogen training is properly assigned and completed for all appropriate personnel.

Management’s Response

- Both the hazard communication and blood borne pathogen training are now available in TrainTraq. The Training and Development department has now assigned every employee in Facilities Services these training modules as of January 2012, and each year will reassign the training modules for refresher course completion. For new employees, these required trainings will be part of the hiring checklist, and the Training & Development office will ensure they are assigned the courses for completion. There are other required trainings that are delivered in classrooms for specific departments within Facilities Services that will also be tracked in TrainTraq starting January 2012.

3. Facilities Assessment and Maintenance

Observation

The University lacks a complete, comprehensive facilities condition assessment by which to build an appropriate preventive and deferred maintenance program. The absence of a formal facilities condition assessment increases the risk that management may not have sufficient information to plan and implement the repair and renovation of University facilities, including the prioritization of repairs, renovation, and replacement of equipment and other systems and components.

In 2003, the University contracted with a vendor to perform a campus facility condition assessment that included assessing the condition of buildings and benchmarking maintenance levels against comparable peer institutions. This particular engagement had only reviewed nine buildings at the time University management discontinued the contract for performance-related issues. In 2009, management started performing internal facility condition assessments of buildings, and after completing six building assessments this process was discontinued when the staff member performing the assessments was reassigned.
3. Facilities Assessment and Maintenance (cont.)

Currently, only 15 of the University’s 43 buildings, of which five were added in the past year, have been assessed.

**Recommendation**

Develop and implement a process to conduct a comprehensive facilities condition assessment of all buildings on campus, and use this information to develop a preventive and deferred maintenance plan for the future.

**Management’s Response**

As required by Texas Higher Education Coordinating Board, the University is proceeding to follow the guidelines established for campus condition index reporting which will be performed for each building. This reporting requirement began in summer 2011 and the University will be required to complete this process for all facilities by October 15, 2012. The System Physical Plant directors began discussions in October 2011 to have a system-wide facilities condition assessment contract in place to assist those campuses in developing consistently defined planned maintenance and deferred maintenance reporting, as well as, assessment services. As of fall 2011, the campus has identified the building systems that will be part of our campus condition index reporting. As of September 1, 2011, we assessed the condition for three buildings and reported this to the Texas Higher Education Coordinating Board. By June 2012, we will have performed condition assessment for 60% of all facilities. By October 15, 2012, we will perform the condition assessment for the remaining 40% of all facilities. We will be required to continue to update these assessments each year thereafter for the entire campus. The campus currently has an annual budget allocation for planned and deferred maintenance issues. Once the campus has completed the assessments for facilities in October 2012, there will be a review of the financial implications and prioritization of planned expenditures.

4. Construction Contract Language

**Observation**

The contract for construction projects used between the University and its general contractors does not include clauses that provide for the right-to-audit and business ethics expectations. Management was not aware of the need to include such contract clauses. Absence of these direct provisions could result in the University being held liable for the contractor’s intentional or unintentional unethical behaviors including billing errors,
4. Construction Contract Language (cont.)

fraudulent activities, and noncompliance with state law, A&M System policies and regulations, and contract provisions. Inclusion of right-to-audit and business ethics expectation clauses is considered standard business practice in construction contract provisions.

Recommendation

To reduce risks associated with construction projects, incorporate the right-to-audit and business ethics expectation clauses in legal construction documents. Consult with the System Office of General Counsel to determine the appropriate location for the clauses either within construction contracts or other contract documents, such as the System Uniform General and Supplementary Conditions.

Management’s Response

The University has submitted suggested language to the System Office of General Counsel as of December 23, 2011 to include in construction contract forms clauses that provide for the right-to-audit and business ethics expectation. All projects initiated after January 4, 2012 will contain these clauses in the construction contracts, as well as, the written procedures for construction projects.
BASIS OF REVIEW

Objective

The objective of this audit was to review and assess the financial and management controls over the University’s Physical Plant operations to determine if resources are used efficiently, effectively, and in compliance with 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 and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Physical Plant at Texas A&M University – Corpus Christi is comprised of approximately 100 full-time positions that report to Executive Vice President for Finance and Administration. Its mission is to provide management of the University’s physical assets to create a campus environment conducive to excellence in instruction, research, other forms of scholarly activity, and public service.
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