PROJECT SUMMARY

Overview

Overall, the Texas A&M Health Science Center (HSC) has processes and controls in place to provide reasonable assurance that plant operations are performed efficiently and effectively, and in compliance with laws, policies, regulations, and rules. As the HSC continues to develop its plant operations program, opportunities for improvement exist in the areas of a facilities condition assessment, minor construction and renovation projects, plant operations procedures, employee safety training, and maintenance and supply inventory management.

HSC’s plant operations reports to the Office of Finance and Administration, and provides a wide range of services including building maintenance, custodial services, and minor construction and renovation management. Plant operations across the HSC’s eight geographically dispersed campuses have approximately 110 employees and an annual budget of $16.8 million.

Summary of Management’s Response

Management fully concurs with the recommendations of the System Audit report.

It is the intent of the HSC to take aggressive action to fully implement the recommendations of the audit report. The current implementation of the [web-based] AIM work order management system will facilitate the structural recommendations of the audit. Facilities, Utilities, Safety, and Security (FUSS) management is currently developing a formal strategic plan that will incorporate, with performance measurements, the operational and procedural recommendations of the audit. As recommended, quantifying appropriate data gathered through the HSC quality assurance/quality control inspection and review process will facilitate an effective management tool that will identify trends and enhance management decision-making. FUSS is currently implementing several web-enabled technology software packages to increase management and control oversight, evaluate current operational
efficiencies, and to assist with effective planning. It is the intent of FUSS to develop a compliant administrative culture that provides effective and efficient services to facilitate the mission of the HSC; and to continuously conduct business as responsible stewards of state resources.

Scope

The review of financial and management controls over the Health Science Center’s plant operations focused on the areas of deferred maintenance, work order management systems, maintenance and supply inventory, service agreements, employee safety training, and minor construction and renovation projects. Transactions and activities related to these areas were reviewed for the period September 1, 2009 through December 31, 2010. Fieldwork was conducted from February to March 2011.
1. Facilities Condition Assessment

Observation

The HSC does not have a facilities condition assessment as a baseline to support the preservation of buildings and facilities across its geographically-dispersed campus locations. During fiscal year 2011, the HSC conducted building reviews of the Temple and College Station facilities but the reviews did not include a financial analysis, life cycle analysis of building components, or an annual pattern of replacement/renewal of facilities. Other HSC buildings have not been assessed and a deferred maintenance backlog exists which needs to be addressed. The HSC reported $1.3 million of deferred maintenance to the Higher Education Coordinating Board for fiscal year 2011.

Management has focused its attention, time, and funding on current and future projects, and has not fully considered the existing buildings across all HSC facilities. Without a facilities condition assessment, the HSC increases its risk of not prioritizing and carrying capital renewal and replacement projects to meet the HSC’s long-term facilities needs. According to the National Association of College and University Business Officers, a facilities condition assessment is an important element of a comprehensive facilities management program.

Recommendation

Conduct a facilities condition assessment of all HSC buildings to establish a baseline to better prioritize and address the HSC’s facility maintenance needs. Update the baseline analysis assessment on an annual basis.

Management’s Response

The HSC concurs with the audit finding that a facilities condition assessment is necessary to effectively plan physical plant operations. The approach is valuable to facilities managers as a valid and reliable facilities condition assessment clearly defines those buildings and components with deferred maintenance concerns, degree of deterioration, and provides estimates of the cost to replace or repair items. The HSC will determine priorities for
1. Facilities Condition Assessment (cont.)

repair based on levels of degradation and safety hazards. As recommended, the HSC will implement as part of the quality assurance/quality control inspection and review process several quantitative measurements. In addition, as recommended in the audit, the HSC will add an annual pattern, by building, of replacement or renewal. The current HSC quality assurance/quality control inspection and review program and the Texas Higher Education Coordinating Board MP2 report will provide cost, condition, and operations data necessary to implement a quantifiable facility condition report and identify trends.

Target Implementation: August 31, 2011.

2. Minor Construction and Renovation Projects

Observation

The HSC does not have a formal monitoring process for minor construction and renovation projects.

The HSC has not established a formal monitoring process for internally managed construction and renovation projects. Management relies on informal communication (e.g., email and telephone) and review of project expenditures as oversight mechanisms. Status reports are not generated and provided to management to monitor the completion of projects. Informal project management oversight of minor construction and renovation projects could result in budget overruns and untimely completion of projects. The HSC had approximately $2.7 million of minor construction and renovation projects between September 1, 2009 and December 31, 2010.

HSC management has recently purchased an automated work order management system to provide financial and management information necessary for more effective monitoring and is in the process of implementing the system.

Recommendation

Develop a timeline with key target dates and milestones to implement and test the recently acquired work order system. Generate management reports from the work order system to support financial and management decision-making processes including work order processing and minor construction and renovation projects to help ensure that projects are completed within budget, on schedule, and according to project specifications.
Management’s Response

2. Minor Construction and Renovation Projects (cont.)

The HSC is currently implementing a new facilities management system. The HSC purchased a separate project management module to assist with status reporting that will provide timely information and management oversight of project schedules and expenditures. The HSC will use appropriate cost/scheduling protocols based on percentage of completion, milestones, or lump sum methods.

Target Implementation: August 31, 2011.

3. Plant Operations Procedures

Observation

Written operating procedures for the plant operations have not been developed and disseminated to HSC campuses to ensure consistency within the HSC’s plant operations. Management relied on informal directives to communicate priorities and responsibilities to personnel. A lack of written procedures can contribute to inconsistent and inefficient operations. Written procedures inform HSC personnel at all levels of the organization of the requirements and responsibilities associated with the performance of their duties in a consistent and effective manner.

Recommendation

Develop and implement written procedures for all processes of plant operations.

Management’s Response

The FUSS strategic planning committee is currently charged with developing appropriate HSC rules and procedures to enhance and ensure consistency with operations to include review of drawings by quality assurance/quality control engineering and Environmental Health and Safety. It should be noted that the HSC strategic planning committee will engage in continuous assessment of risk and opportunities for improvement. The development, implementation, and training of operations procedures will enhance effectiveness, efficiencies, and communications among the various HSC campuses.

Target Implementation: August 31, 2011.
4. Employee Safety Training

Observation

Plant safety training is not conducted in a timely manner.

The HSC plant training processes are decentralized at each campus and do not ensure timely safety training for new plant employees whose positions have been identified as requiring hazardous communication or bloodborne pathogen training. A review of eleven plant new hires indicated that eight (73%) did not have documentation to support they received hazardous communication or bloodborne pathogen training prior to working with or in a work area containing hazardous chemicals or bloodborne pathogens. There was a lack of consistent supervisory review across all of the HSC’s disbursed plant operations to ensure that plant employees receive timely training.

The lack of timely safety training with respect to hazardous communication and bloodborne pathogens for plant operations’ employees puts the HSC at risk of serious injury, property damage, and noncompliance with the HSC’s Hazard Communication Program which is required by state law and the Bloodborne Pathogen Exposure Control Plan required by federal law.

Recommendation

Develop a monitoring process to ensure that employees receive proper safety training prior to potential exposure to hazardous chemicals and bloodborne pathogens.

Management’s Response

The Bryan Campus has identified a full-time environmental health and safety officer responsible for timely training of employees. In coordination with HSC Human Resources, Environmental Health and Safety currently has in place a centralized system of identifying training needs of employees at the point of hire and recurring annually during the performance review period. This system is currently being integrated with an extensive online training program using TrainTraq that will enhance monitoring and control of all areas of safety training on each of its campuses across the state. The online training system will allow for continuous management, control, and oversight of environmental health and safety training.

Target Implementation: August 31, 2011.
5. Alkek IBT Maintenance and Supply Inventory

Observation

The maintenance and supply inventory, valued at $73,000, at the Alkek IBT building has not been subjected to a formal periodic physical inventory count and reconciled to the work order system inventory records. Strong controls over inventories include periodic inventory counts and reconciling inventory records to accounting records. Out of a sample of 30 inventory items tested, 20 (67%) were not accurately listed in the inventory records. Additionally, supply rooms contained excess and obsolete items which were not being tracked in the inventory records. Upkeep of the maintenance and supply inventory records was not a management priority. Lack of adequate controls over maintenance and supply inventory increases the risk for inappropriate and inefficient use of resources. As a result, management decisions may not consistently be based upon accurate inventory information.

Recommendation

To strengthen controls over the Alkek IBT maintenance and supply inventory, the HSC should conduct periodic physical counts of the inventory items and perform reconciliations of the inventory counts to the inventory records and promptly investigate and correct all identified differences.

Management’s Response

The HSC will implement sound controls to ensure inventory counts can be verified and the identified differences are reconciled in an effective manner. The quality assurance/quality control inspection and review will add the Alkek maintenance and supply inventory as part of its review and assessment.

Target Implementation: November 30, 2011.
BASIS OF REVIEW

Objective

The objective of the audit was to review and assess the financial and management controls over plant operations to determine if resources are used efficiently and 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; Texas A&M Health Science Center 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 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 HSC’s plant operations includes facilities in eight geographically-dispersed locations including Bryan, College Station, Dallas, Houston, Kingsville, McAllen, Round Rock, and Temple. A Facilities Coordinator or other facilities employee supervises each respective location and reports to the HSC Facilities Manager. The Facilities Manager reports to the Office of Finance and Administration through the Director of Facilities, Utilities, Safety, and Security. HSC’s plant operations provide a wide range of services including building maintenance, custodial services, and minor construction and renovation management. Plant operations has approximately 110 employees and an annual budget of $16.8 million.
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