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TARLETON STATE UNIVERSITY

Review of Contract Administration and Sponsored Programs

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20140403
Overall Conclusion

Administration of two major service contracts funded and operated through partnerships between Tarleton State University and private sector companies requires significant improvement in certain areas to ensure that contract risks and compliance are being managed. These are important contracts that impact the university; thus, strong oversight and monitoring processes are critical.

For sponsored programs, processes and controls over time and effort reporting do not provide reasonable assurance that certifications are being verified in a timely manner as required by federal and system regulations.

Opportunities for improvements were also noted in the areas of year-end accruals for sponsored programs and the logical security of contract administration software.

Summary of Significant Results

Contract Administration

Coordination and monitoring of oversight responsibilities at the university requires improvement for major service contracts involving partnerships between the university and private sector companies. Staff with oversight responsibilities did not always coordinate their efforts with university contract administration to ensure that system regulations and university rules were being followed when negotiating and administering these contracts. Additionally, the university does not have a current rule in place to address all aspects of contract administration as required by system policy.

Adequate and timely approvals were not obtained for the dining services and bookstore contract agreements. An amendment to the university’s dining services contract did not undergo appropriate reviews by the Office of General Counsel and university contract administration. Additionally, all contract terms were not adhered to for the university’s dining services contract, particularly, compliance
with the dining meal plan price increase index. Noncompliance with contract terms can have a significant financial and operational impact on the university.

**Effort Certifications for Sponsored Programs**

Sponsored program effort certifications were not completed in the timeframe required for 14 of 24 (58%) sponsored program certifications tested. System regulation states that employees must certify their time and effort reports within 45 days for certification. Noncompliance with required system certification of effort requirements increases the university's risk for federal penalties and sanctions.

**Summary of Management’s Response**

*The contract administration failure represents a serious concern for us and we appreciate the finding through Internal Audit. Steps are being taken now to correct the process, add the relevant rule, update the associated SAP, re-negotiate the contract, and staff up for better internal review as reflected in the detailed audit response. It should be noted that both the vice president and the assistant vice president involved in the contract oversight and administration are no longer with the university.*

*Steps are also being taken to improve the processes related to time and effort reporting. As noted in the audit findings, the periods reviewed were the first two in which the university used the system’s certification software. The improved processes will work to ensure compliance in future reporting periods.*
Detailed Results

1. Contract Administration

Coordination and monitoring of oversight responsibilities at the university requires improvement for major service contracts involving partnerships between the university and private sector companies. Staff with oversight responsibilities did not always coordinate their efforts with university contract administration to ensure that system regulations and university rules were being followed when negotiating and administering these contracts.

Monitoring of Contracts

Monitoring of contract administration over the dining services’ contract requires significant improvement to ensure compliance with contract terms. Centralized contract monitoring is primarily focused on pre-execution contract negotiations and approvals. As a result of weak post-execution monitoring, instances were noted in which contract terms were not complied with.

A 5% dining meal plan price increase for fiscal year 2015 was not made in accordance with the contract terms. The vendor was inappropriately allowed by university management to base the increase on a different Consumer Price Index (CPI) metric than what the contract specified, which resulted in a much larger meal plan price increase. The contract stated that rate increases are to be based on the CPI metric, “Finished Consumer Goods”. This metric appears to be associated with the Producers Price Index (PPI), which increased only 0.6% in calendar year 2013. Whereas, the inappropriate CPI metric “Food away from home” used for the actual increase went up by 4.2% during the same period. Also, management included an additional 0.8% increase to pay for an extension of dining hall hours.

The change in CPI metrics for meal plan pricing and the extension of dining hours should have been documented and agreed to by both parties in an amendment to the contract. As a result, based on fiscal year 2014 meal plan revenues of $7.6 million, it is estimated that students will pay additional contractually unsupported charges of $336,000 in meal plan fees in fiscal year 2015.

In addition, the vendor’s certificate of insurance was not on file with the university at the time of the audit and was not being monitored to insure that insurance coverage was being maintained in accordance with the contract terms. A lack of monitoring increases the university’s risk for noncompliance with contract terms which can have a significant financial and operational impact on the university.
Approval of Contracts

Adequate and timely approvals were not obtained for the dining services and bookstore contract agreements. An amendment to the university dining services contract did not undergo appropriate reviews by the Office of General Counsel and university contract administration as required. The amendment extended the original contract for an additional five years through May 31, 2019 and specified for the vendor to make a $1 million payment to the university for equipment and renovation of food service locations. A&M System Policy 25.07, Contract Administration, Section 4 states that all contracts of $100,000 or more must be submitted to the Office of General Counsel for review and approval. Without a review for form and legal sufficiency, the contract may contain or exclude terms to the detriment of the university and/or the A&M System.

The 2011 bookstore contract agreement was signed by the university president one month after the effective date due to insufficient planning. During that month, the contract may not have been enforceable.

University Rule for Contract Administration

A&M System Policy 25.07, Contract Administration was updated in October 2013, and includes a requirement for A&M System members to develop and implement a contract administration rule that includes administration of contracts once they have been executed, along with contract closeout and contract reporting procedures. The university does not have a rule in place to address the requirements of this policy. Currently, university Standard Administrative Procedure 25.07.01.T0.01, Contract Administration addresses pre-execution contract administration but not post-execution. Without a current rule and procedures, employees do not have available current information defining their responsibilities for complying with the updated system policy.

Recommendation

Strengthen the coordination of contract administration to ensure university contract administration is aware of and working with staff that have oversight responsibilities for major university service contracts. Improve monitoring processes to ensure that system regulations and university rules are being followed when negotiating contracts and that contract terms are being complied with.

For the dining services’ contract ensure that all changes in contract terms are documented in an amended contract, that the university follows its delegation of
authority for changes in contract terms including review by the Office of General Counsel, and obtain from the vendor a current certificate of insurance.

Adhere to system policy and route contracts and contract amendments through the Office of General Counsel for review of legal sufficiency and approval. Ensure that all contract reviews and approvals take place prior to the effective dates of the contract text.

Develop and implement a contract administration rule to provide guidance related to administration of contracts after execution as well as closeout of the contracts and contract reporting requirements as required by system policy.

Management’s Response

The university’s contract administration website will be updated with the most current information including workflow and expectations. “Buy A&M” will allow us to create a routing path to include the contract administrator for those requisitions that require a contract. The Office of General Counsel will be included in this workflow where required. Training will be developed and conducted on an annual basis to inform the campus about the workflows and the importance of contract review, including coordinating efforts with contract administration, for items such as vendor certificates of insurance. Contract Administration will also re-negotiate or amend the contract with the dining services provider and ensure it is reviewed by the Office of General Counsel. Target date: April 30, 2015.

Contract administration will perform regular internal audits on contracts to ensure that contract administrators are following the terms and conditions according to the contract. We are working on a document that will be disseminated to current and future contract administrators that will outline their responsibilities according to the contract. Responsibilities will include documenting deliverables and when/if they are being fulfilled. Target date: Document in place by February 28, 2015.

The university rule, standard administrative procedure and delegation of authority will be updated/created accordingly. Target date: March 31, 2015.

2. Effort Certifications for Sponsored Programs

Effort certifications for the last two certification periods were not completed and certified timely. Fourteen of the 24 (58%) time and effort certifications reviewed for the two certification periods (July to December 2013 and January to June 2014) were not completed and certified within 45 days of the certification document being prepared as required. The two certification periods reviewed
were the first two periods where the university used the online certification process and the person currently overseeing the process started in February 2014. The error rate for the first certification period was 66% (eight out of 12) with all eight being over 90 days late. The error rate for the second period dropped to 50% (six out of 12) with only one being over 90 days late.

According to the A&M System Regulation 15.01.01, Administration of Sponsored Agreements – Research and Other, employees must certify their time and effort reports within 45 days after they are released to principle investigators for certification. After 90 days, project accounts can be frozen. A prolonged lapse of time between activity and certification can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments. Noncompliance with required A&M System certification of effort requirements increases the university’s risk for federal penalties and sanctions.

**Recommendation**

Continue recent efforts to ensure that time and effort reports are certified within 45 days of preparation in accordance with A&M System Regulation 15.01.01.

**Management’s Response**

As noted in the audit findings above, the periods reviewed were the first two in which the university used the system’s certification software. Since those periods, processes have been improved to ensure compliance. These processes will be further evaluated and adjusted, as needed, during approval of the certification period just ended which is due on March 1, 2015. Target Date: March 1, 2015.

3. **Year End Accruals**

The **year-end accrual was not correct for one of five (20%) sponsored program accounts reviewed**. The fiscal year 2013 accrual for account 434730 was understated by $655,456. The accrual was based on a method that applies to fully cost reimbursable programs; however, this program has both fixed priced and cost reimbursable components. Also, the manually created accounts receivable invoices are not entered into the Financial Accounting Management Information System (FAMIS) accounts receivable module which would help to ensure the receivable is accrued. Government Accounting Standards Board pronouncements 34/35 require colleges and universities to use the accrual basis of accounting for their financial statements. This includes reporting federal receivables for funds expended or services performed for which federal contract and grant funds have not yet been received.
Recommendation

Implement procedures to ensure the method used by the university for year-end revenue accruals is appropriate for all sponsored programs.

Management’s Response

*If a project has not reached completion, we have historically only accrued for expenses incurred. We record additional revenue as earned at the completion of the contract. However, after further review of National Association of College and University Business Officers guidance on the matter, we concur with the audit finding and will change our processes to accrue using a percentage of completion method. This change will be implemented with the fiscal year 2015 financial reporting cycle. Our accounting staff will also seek guidance from another system member to determine the best way to use the sponsored projects module of FAMIS to automate this accrual. The FAMIS manual does not provide guidance on entering projects that are cost-plus a fixed fee. Target Date: October 31, 2015.*

4. Logical Security of Contract Administration Software

**Password controls for securing user access to the ContractLogix application, a database used to manage the contracting process, do not meet university minimum password requirements for length, complexity or forced periodic resets.** ContractLogix was not designed with strong logical security controls and can only enforce a minimum password length of one character. In addition, a "bad password" lockout feature is not in effect. A risk assessment was being carried out by the university information security officer at the time of fieldwork to evaluate the information security risk for ContractLogix. Steps had been taken to ensure that access to the system is limited to devices that exist on the campus, thus reducing the threat from external devices. The university's Standard Administrative Procedure 29.01.03.T0.10, *Information Technology Services – Password Authentication* sets the password complexity and expiration guidelines for all information resources. Failure to implement strong password practices increases the risk that sensitive files or systems could be compromised and critical services could be disrupted.

Recommendation

Where the ContractLogix vendor does not have password controls in place, communicate this oversight to the vendor and request that password controls be implemented in accordance with university procedures. Once completed, require all affected users to change their passwords and require forced password changes on a periodic basis.
Management’s Response

The information security officer has completed the risk assessment for ContractLogix. We will work closely with ContractLogix to resolve the issues of the weak password. Target Date: April 30, 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to review financial and management controls over administration of contracts and sponsored programs including efficiency and effectiveness of operations and compliance with applicable guidelines.

The review of contract administration and sponsored programs at Tarleton State University focused on contract approvals, monitoring, compliance, pre-award, post-award, and close-outs. The audit period focused primarily on activities from September 1, 2012 to June 30, 2014. Fieldwork was conducted from July to November 2014.

Contracts included in this review:

- Sodexo – dining services
- Southeast Service Corporation (SSC) – facilities maintenance and landscaping
- CHF-Stephenville, LLC – ground lease and management contract for student housing
- Follett – bookstore

Sponsored programs included in this review:

Pre-Award Sponsored Programs

- Data Mining for the US Crop Insurance Program; US Department of Agriculture
- Addressing Global Food Security; US Department of Agriculture – National Institute of Food and Agriculture
- TRIO - Upward Bound FY14; US Department of Education
- BSN RN Lab Mentors; Texas Higher Education Coordinating Board
- Oklahoma Beef Cattle; Oklahoma State University/US Department of Agriculture
- WO #3-Ship Manifest Continuation; Texas Commission on Environmental Quality

Post-Award Sponsored Programs

- Data Mining for the US Crop Insurance Program; US Department of Agriculture Risk Management Agency
• Addressing Global Food Security; US Department of Agriculture – National Institute of Food and Agriculture
• American Clearinghouse on Educational Facilities – US Department of Education
• BSN RN Mentors; Texas Higher Education Coordinating Board
• Small Business Development FY14 – Texas Tech University/US Small Business Administration
• Sponsored Program Close-Outs
• Data Mining for the US Crop Insurance Program; US Department of Agriculture Risk Management Agency
• American Clearinghouse on Educational Facilities; US Department of Education
• Leona River Project; Texas State Soil and Water Conservation Board
• Permit Processing; Texas Commission on Environmental Quality
• PACT – Performance Based Academic Coaching; Texas A&M University System

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; grant and contract award criteria; Tarleton State University Rules and procedures; 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.
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First Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY

Review of Faculty Human Resources Processes

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20140217
Overall Conclusion

Overall, the controls established over faculty human resources processes at Texas A&M University provide reasonable assurance that faculty hiring, annual performance review, and termination processes are achieved in compliance with laws, policies, regulations, and university rules except for timeliness of termination processing. Significant improvements are needed in the timeliness of Employee Payroll Actions (EPAs) and removal of travel card access for terminating faculty employees. In addition, we noted opportunities for improvement in the areas of the electronic portal system, departmental faculty hiring documentation, and posting of faculty positions.

Faculty hiring and review processes at Texas A&M University are monitored by the university’s Dean of Faculties Office. The Health Science Center’s (HSC) Office of the Vice President for Academic Affairs oversees its faculty hiring and review processes. The two offices are working together to review and update procedures for more consistency where appropriate as faculty human resources management is coordinated.

Summary of Significant Results

Termination Processes

Significant improvement is needed in the timeliness of termination processing to ensure that access to university resources are removed in a timely manner for faculty members that terminate employment with the university. Departments are responsible for initiating payroll actions and notifying other offices on campus to take appropriate actions for terminating employees. Without timely processing of terminated employees’ access, university resources may be abused or become targets of compromise.

Summary of Management’s Response

Management agrees with the results of the audit and has taken, or is in the process of taking steps, to satisfactorily address all the issues raised in the report. Additional detail is provided within the individual audit responses.
Detailed Results

1. Termination Processes

Improvements are needed in termination processes to ensure that faculty employee access to university resources are removed in a timely manner. Departments are not consistent in initiating timely termination processing for payroll actions and removing travel card access. Departments are responsible for initiating payroll actions and notifying other offices on campus to take appropriate actions for terminating employees’ access to university resources. Terminated employee accounts with continued access may be abused and/or become targets for compromise.

Timely Employee Payroll Action (EPA) Processing

Departments were not consistent in the timely processing of EPAs for faculty terminations. Thirteen of thirty (43%) faculty terminations reviewed did not have EPAs processed timely, within five days, after the employee termination date. EPA submission ranged from nine to 101 days after the faculty employee termination date. In one of these instances, the former faculty employee received three monthly paychecks before the EPA was processed to record the termination. Upon notification by the university, the former faculty employee reimbursed the university for the three months of overpayment.

The university uses an electronic EPA form to communicate payroll and personnel changes to the payroll system, Budget/Payroll/Personnel (BPP). In the past, the BPP system updated the personnel module on the next payroll processing date, which could be up to 30 days after the EPA was submitted. As a result, timely processing of the EPA was not emphasized. Beginning in April 2013, the BPP system started updating the personnel files nightly. Now, offices across campus receive nightly feeds of updated personnel file information which is used for monitoring terminated employees for removal of university resources, including travel cards and electronic information. Timely submission of EPAs is now necessary for expediting the payroll processing and removing of former employees’ access to university resources. However, the university still has processes that use a 28-day grace period before removing access to certain university resources due to concerns about the lack of timely EPA processing and updating of BPP files.
Timely Removal of University Travel Card Access

Departmental termination procedures for faculty employees did not ensure the timely removal of university travel card access. Twelve of twenty (60%) terminated faculty employees' travel card accounts reviewed did not have access to the accounts removed timely, within five days after termination date. Access removal ranged from six to 363 days after the employee's termination date. Travel cards issued to university employees are authorized for business use only and charges made to the travel cards are paid directly by the university. Although former employees did not charge expenses to the travel cards after their termination date, the risk remains that charges could be incurred by either the terminated employee or other individuals that have access to the card/account. Timely removal of travel card access reduces the risk of loss of university resources from misappropriations.

Recommendation

Develop procedures to ensure timely EPA processing in order for the timely removal of access to travel cards and other university resources for terminated faculty employees. Communicate the procedure to all individuals responsible for processing employee terminations. Monitor the process for compliance.

Management’s Response

The university will develop a standard administrative procedure (SAP) specifically addressing the importance of processing EPAs in a timely manner to ensure the prompt removal of university resources including access to travel cards and how the process will be monitored for compliance. In addition, Texas A&M University will work with the System Office of BPP Operations requesting they include a section in their EPA Guidelines regarding prompt action of processing EPAs for employee termination. The university will communicate and implement the new SAP effective April 1, 2015.

2. Electronic Portal System

The Dean of Faculties electronic portal system (portal) is inefficient and user access is not periodically reviewed by departments. Manual forms used in the hiring process are prepared, signed and then scanned into the portal. The portal routes the document to the next level for approval, based on rules and workflows within the portal, where the document must be printed, signed and rescanned back into the portal at each approval level. The document workflow at the department and college level differs between the colleges (each college...
establishes their own procedures). The portal does not use electronic forms, which could be routed for electronic approvals or electronic signatures.

The Dean of Faculties Office reviews all users on a yearly basis to determine if continued portal access is appropriate, although they do not have direct knowledge of all departmental personnel across campus. A periodic review of users’ access is not performed by each department or college to ensure that terminated employees or employees changing position or position duties have had their access to the portal changed accordingly. In addition to the hiring process, the portal is used for other processes such as faculty credentialing and faculty developmental leave. Portal access is granted based upon the employee’s job duties related to the individual areas within the system. Maintaining current user access reduces the risk of inappropriate access to confidential information maintained in the portal.

**Recommendation**

Use electronic forms and/or signatures to increase processing efficiencies of the electronic portal system. Periodically have colleges/departments review user access and make changes as needed.

**Management’s Response**

*Management has been looking forward to the approval of the use of the electronic signatures from the System Office of General Counsel. It is our understanding that this approval has now been secured. Management is currently working to adapt existing electronic hiring forms for use with the electronic signature. Expected implementation date will be April 1, 2015.*

*Management requires that deans and department heads request in writing access for their employees to the electronic portal system. Access is provided only to the specific area requested within the electronic portal system. Going forward, twice a year, spring and fall semesters, management will request from colleges and departments confirmation of their list of approved users and in addition, will cross-reference portal users with payroll and delete anyone who is not listed. Management will complete this process by January 31, 2015. Thereafter, it will be done twice a year.*

3. **Departmental Hiring Documentation**

*There are inconsistencies between academic departments regarding faculty hiring search and selection documentation practices and university hiring guidelines.* The university has a rule that describes a process linked to the guidelines stating that specific items must all be retained in departmental hiring
files. However, 19 of 50 (38%) departmental hiring files reviewed did not have all elements included in the hiring guidelines. While approval to recruit and approval to hire documentation is retained centrally in the Dean of Faculties portal system, the individual hiring departments are responsible for retaining faculty search and selection documentation. The Dean of Faculties and the HSC Office of the Vice President for Academic Affairs have guidelines, checklists, and procedures in place for documenting the faculty search and selection process. The Dean of Faculties Search and Selection Checklist is provided to all hiring departments and includes 11 items that are to be included in the departmental hiring files. Seventeen of the departmental hiring files reviewed were missing one or more of the required items. The HSC guideline, Description of Process to Select Employee, includes five items. Two of the HSC departmental files reviewed were missing one or more of these items. Discussions with management indicate that the expectation is that departments are to keep some documentation to support their search and selection process, but not necessarily all of the items listed in the guidelines.

When the guidelines are not followed consistently, the university does not have a defendable position if hiring decisions are challenged. The university needs to be able to show they made a good business decision in hiring the best qualified candidate for the vacant position. This includes supporting that discrimination was not factored into the decision, and that there was an effort to solicit a diverse applicant pool. It is important to be thoughtful about the wording of the university rule and guidelines to ensure that they convey the actual search and selection documentation practices that are intended to be followed.

**Recommendation**

Review the university’s faculty search and selection documentation requirements and expectations and make necessary changes. Monitor required documentation to ensure that requirements and practices are in agreement. Consider including all required hiring documentation in the portal system.

**Management’s Response**

*Management has reviewed its hiring guidelines and has revised its suggested list of information that should be kept on file for the required records retention period. We had previously required retention of documents that were not needed for any compliance purposes, but as a result of the audit have updated that list to the minimal required set. We will revise the portal to require the uploading of all revised documentation. Expected implementation date will be April 1, 2015.*
4. Posting Positions with Texas Workforce Commission

**HSC faculty position postings were not in compliance with Texas Workforce Commission requirements.** Fifteen of 17 (88%) HSC faculty hiring files reviewed were not posted with the Texas Workforce Commission. The Texas Government Code requires that all positions will be listed with the Texas Workforce Commission if individuals outside of the university will be considered for the position. HSC had a decentralized process in place to post faculty positions with the Texas Workforce Commission; however, the departments were not consistently forwarding information to post the faculty positions. As a result, HSC modified the faculty hiring process in June 2014 with the intention of ensuring that faculty positions are posted as required. Monitoring processes are important to determine if processes are working as intended and meeting compliance requirements for position postings.

**Recommendation**

Establish monitoring procedures to ensure that hiring processes are working as intended and faculty positions are posted with the Texas Workforce Commission.

**Management’s Response**

*Responsibility for posting faculty positions with the Texas Workforce Commission has been moved from the academic departments to the Vice President for Academic Affairs. Currently, the Office of the Vice President for Academic Affairs electronically forwards the signed authorization to recruit forms to the Health Sciences Center Human Resources Office where the position is manually entered on the Texas Workforce Commission website.*

*In the near future, the Health Science Center Human Resources Office plans to begin using an electronic hiring system, PeopleAdmin, for all faculty hiring. PeopleAdmin automatically feeds information to the Texas Workforce Commission. Since use of the program is mandatory, compliance with Texas Workforce Commission requirements will be 100%. It is estimated that this process will be implemented on or before January 30, 2015.*
Basis of Review

Objective and Scope

The overall objective of this audit was to determine if selected faculty human resources processes were achieved in compliance with laws, policies, regulations, and university rules. The review of faculty human resources processes at Texas A&M University focused on hiring, annual performance reviews, and termination processes. The audit period focused primarily on activities from June 1, 2013 to May 31, 2014. Fieldwork was conducted from July to October 2014.

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 Administrative and Government Codes; Texas A&M University Rules and procedures; 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.
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First Quarter Report for Fiscal Year 2015

THE TEXAS A&M UNIVERSITY SYSTEM

System–Wide Review of Youth Safety

Catherine A. Smock, C.P.A.
Chief Auditor
Overall Conclusion

Texas A&M University System members’ youth safety procedures and processes are generally compliant with the requirements in A&M System Regulation 24.01.06, Camps and Programs for Minors. While all of the A&M System members are performing criminal history background checks on youth event employees and volunteers, sex offender registry background checks are not consistently performed as required.

Prairie View A&M University, Texas A&M International University, and West Texas A&M University were selected for detailed testing of a sample of youth events. Overall, the youth events tested were compliant with A&M System requirements with the exception of improvements needed related to participant forms at Prairie View A&M and the administration of third-party camps at West Texas A&M.

Summary of Management’s Response

Management agrees with the recommendations in the report and has taken, or is in the process of taking steps to implement all the recommendations by February 28, 2015.

Detailed Results

1. A&M System Youth Safety Guidance and Background Checks

A&M System youth safety guidance requires additional clarification and information in certain areas especially related to background checks. Eleven of the thirteen A&M System members with youth-related events had procedures and processes in place to address all required elements tested in A&M System Regulation 24.01.06, Camps and Programs for Minors. However, it was noted that several A&M System members tested were unsure of the A&M System requirements related to background checks. A&M System regulations require that criminal conviction and sex offender background checks be conducted on all individuals hired or assigned to employee or volunteer positions involving contact with minors at a camp and
program. Although all thirteen A&M System members were performing criminal history background checks, sex offender registry background checks were not consistently performed as required. Several members incorrectly believed that the criminal history background checks performed would cover both requirements and did not interpret the A&M System regulation to indicate two separate checks were required. Without properly completed sex offender registry background checks for each participant, there is an increased risk of harm to youth participants which could result in reputational damage and liability to the university. In addition, based on the results of the review, additional guidance is needed for the A&M System regulation related to participant forms required and camps held by third-parties that are utilizing member facilities.

Recommendation

Complete current efforts to update A&M System Regulation 24.01.06, *Camps and Programs for Minors*. Ensure the updated regulation provides clearer language related to:

- Specific background checks that are required;
- Additional guidance regarding required participant forms; and
- Further clarification of the requirements to follow related to third-party camps and programs.

System Office of Risk Management personnel should work closely with A&M System member compliance officers by communicating the requirements of the updated A&M System regulation and providing a template for monitoring compliance with these requirements. Member compliance officers should periodically monitor youth safety compliance and report compliance results to the member’s executive management and to A&M System Risk Management in order to strengthen the accountability of each member’s youth safety staff for maintaining compliance.

Management's Response from System Offices

*Relating to the audit item regarding the type of background checks required System Risk Management has modified A&M System Regulation 24.01.06, Camps and Programs for Minors, to clarify that both a criminal conviction and sex offender background checks are required.*

*Relating to the audit item regarding required participant forms, we inserted a modification to the regulation requiring completion of a waiver, indemnification and*
medical release form for each camp participant. This form is the standard General Counsel recommended waiver and release form and will provide consistency throughout the A&M System. The link will access the form through the General Counsel website.

Relating to the audit item regarding further clarification of the requirements to follow related to third-party camps and programs, processes are being put in place to provide additional guidance. A template is being reviewed and approved that will provide uniform agreements for third-party camps utilizing A&M System member facilities. In addition, communication to the A&M System compliance officers and the members directly, will focus on not only the changes to the existing regulation but also the importance of third-party camp requirements. System Risk Management will provide a session on camps and programs for minors at the January 2015 System Compliance Officers meeting. This will elevate the awareness level of risks and requirements in regard to camp programs and equip the A&M System compliance officers to assist in the monitoring of compliance.

During the fall of 2014, a review of the regulation took place and proposed regulation changes came from input from System members as well as discussions between System Risk Management and General Counsel. The revised regulation is currently being routed for approval and the changes to the regulation relate to:

- Clarification of the types of background checks to be conducted
- Participant waiver/release form to use
- Clarification on the minimum requirements of insurance that third-party camps must provide
- Modification of offenses and those that may disqualify versus must disqualify
- Clarification on the retention period of rosters
- Definition modification to the term Camps and Programs For Minors
- Addition of a definition regarding full supervisory duties.

Update of the A&M System regulation and third-party agreement will be completed by February 28, 2015.

2. Prairie View A&M University Participant Forms

Participant forms were not properly completed for one youth event tested that was hosted by Prairie View A&M University. Liability waiver and medical treatment authorization forms were not properly signed by the participants’ parent or guardian due to a previous version of the form being used that did not include a place for the parent/guardian signature. In addition, emergency contact information was not consistently obtained for this youth event. University
administrative procedures indicate that each participant must complete a waiver, indemnification and medical treatment authorization form which includes a place for emergency contact information and must be signed by the participant and their parent/guardian and returned prior to the camp start date.

There is currently a centralized process at the university for monitoring youth events for compliance with A&M System Regulation, *Camps and Programs for Minors*; however, the process did not detect the errors noted above. In addition, training related to youth safety compliance requirements had been provided to the camp administrator, but there was turnover in this area and the new administrator had not yet received this training. Without properly completed waivers for each participant, there is a greater risk of liability to the university and reputational damage if an injury were to occur to a youth participant.

**Recommendation**

Increase centralized monitoring of university sponsored events involving minors to ensure all A&M System and university youth safety requirements are followed, including the proper completion of required forms and waivers. Provide additional training as needed for youth event administrators to ensure they understand A&M System and university youth safety requirements.

**Management’s Response from Prairie View A&M University**

*Internal procedures have been established to ensure that all forms are completed, signed, and submitted to the Office of Space Management for review at least two weeks prior to the start date of the camp. These procedures include ensuring that a proper form which includes parent contact and signature are utilized for all camps. Additionally, all camp directors are required to complete training, with said training documented and placed in the respective camp folder.*

3. **West Texas A&M University Third-Party Camps**

**Participant forms were not properly obtained for one youth event tested that was hosted by a third-party vendor using the university’s facilities.** Although participant forms were properly found for the youth events tested that were hosted and operated by the university, participant forms were not available for the third-party youth event tested. WTAMU did not obtain these forms from the third-party vendor or have a formal agreement in place to indicate that the third-party is responsible for these processes in order to release the university from liability.
University administrative procedures require that camp and program for minor participants and the parents or guardians of minors complete a consent, waiver, and release agreement form and return it to the camp/program director in order to be covered on insurance and participate in the camp. The university did not have a formal agreement in place with the third-party vendor for the camp tested. Without properly completed waivers for each participant or an agreement in place with the third-party that releases the university from this liability, there is an increased risk of harm to youth participants which could result in reputational damage and liability to the university.

**Recommendation**

Develop specific procedures to indicate how required youth safety forms and documentation should be obtained from third-party vendors holding youth events that utilize university facilities, and increase monitoring to ensure compliance with these procedures. Alternatively, include language in the formal agreement with the third-party indicating that the third-party is responsible for these safety processes in order to release the university from liability so that obtaining these safety forms and documentation would not be required. Provide additional training for youth event administrators as needed related to A&M System and university youth safety requirements.

**Management’s Response from West Texas A&M University**

*West Texas A&M University written procedure #24.01.06.W1, Camps and Programs for Minors, has been updated and approved to include the requirement for third-party camps to be approved through the same procedure and agreement as WTAMU camps. The procedure has also been updated to require the purchase of general liability and accident medical coverage through the System Risk Management camp insurance program for all university sponsored camps and that valid insurance provided by third-party camps meets the standards as set by System Risk Management.*

*A third-party camp template agreement is being reviewed by System Risk Management and will be used at university camp training meetings no later than February 28, 2015.*
Basis of Review

Objective and Scope

The overall objective of this audit was to determine if Texas A&M University System members that host youth events have procedures and controls in place to comply with requirements in A&M System Regulation 24.01.06, *Camps and Programs for Minors*.

We surveyed members on the twelve primary requirements in A&M System Regulation 24.01.06 and reviewed their responses for compliance with system requirements. Based on assessed risks we conducted onsite work at Prairie View A&M University, West Texas A&M University, and Texas A&M International University. The onsite work at the three universities included testing of a sample of youth events for compliance in the areas of youth event training, background checks, participant forms, and liability insurance. No detailed test work was performed at the other ten A&M System members. The audit period focused primarily on activities from June 2013 to June 2014. Fieldwork was conducted from August to October, 2014.

Criteria

Our audit was based upon standards as set forth in the *System Policy and Regulation Manual* of the Texas A&M University System; university rules and procedures; 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.
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Review of Financial Management Services
Overall Conclusion

Overall, controls and processes established over financial management service operations reviewed at Texas A&M Engineering Extension Service (TEEX) provide reasonable assurance that resources are used in an efficient and effective manner and operations are performed in compliance with laws, policies, regulations, and rules of the agency. Improvements are needed regarding segregation of cashier duties within one division of the agency and international travel documentation.

Detailed Results

1. Revenues – Segregation of Duties in the Emergency Services Training Institute (ESTI)

Segregation of duties’ procedures requires improvement to strengthen controls over the collection of revenues. The cashiering function in ESTI is decentralized and includes the division business office and seven locations within the training field campus. There are 23 individuals with cashiering ability within ESTI. Each location has at least two staff members with cashier responsibilities. A review of the cashiering activity for fiscal year 2014 indicated the following:

- Nine of 23 (39%) cashiers processed zero to ten transactions for the year;
- Six cashiers were in the business office and 17 were located in the seven training field locations;
- The seven training field locations processed 236 transactions totaling $255,589; while the division business office staff processed the remaining 2,734 transactions totaling $4.6 million.

Due to limited staffing at the training field locations, segregation of duties is weak since an individual can receive payment, process registration, and prepare delivery records. A delivery record is a course record which documents various aspects of a course such as attendee roster, instructors, material costs, and fee reconciliation.
Without appropriate segregation of duties in regards to the handling of cash receipts, there is a greater risk that funds could be lost or misappropriated without being detected. A&M System Regulation 21.01.02, Receipt, Custody, and Deposit of Revenues states that generally, there are four incompatible duties which are examined for segregation of duties: authorization, custody, record-keeping, and reconciliation. The division business office performs a review of 20% of delivery records which provides a level of compensating control.

Recommendation

Reduce the number of cashiers within the ESTI. Periodically review cashiering activity to remove inactive cashiers and to identify any division realignment of the cashiering function in order to reduce risk exposure. For the areas retaining the cashier function, strengthen the segregation of duties by not having a single individual perform the tasks of receiving payments, registering students, and preparing the delivery record/reconciliation of registration fees or incorporate a mitigating control for registration fee completeness.

Management’s Response

The Emergency Services Training Institute (ESTI) will reduce the number of cashiers and locations where payments are accepted. ESTI will utilize business staff or during large events have the business office oversee the collection of payments by February 28, 2015. The volume of collections by staff will be reviewed as part of the annual access review. Access across the Student Management System and CashNet will be included in the Texas A&M Engineering Extension Services monitoring plan by March 30, 2015.

2. International Travel

Export reviews and assurances forms for international travel are not consistently documented. While the agency Compliance Office is aware of the foreign travel activities of the agency and appears to screen each trip for export control implications, the process should be strengthened to ensure that for each trip, each traveler acknowledges his/her activity on the export reviews and assurances form. During the review, it was noted that eight of 12 (67%) international travelers reviewed did not have the export reviews and assurances form completed or fully completed although restricted party screening of the related trip was available. Many trips are recurring to the same location to provide the same course and often include multiple travelers. It appears travelers did not complete a form as it was a repeat trip and a form had been previously submitted or the form had been completed by someone else in the group traveling to provide screening information.
Additionally, the portion of the form for items accompanying individuals (laptops, cameras) was inconsistently completed. TEEX procedure 15.02.99.01-1, Export Management and Compliance Program requires employees traveling outside of the United States to complete the export reviews and assurances form to request screening of foreign persons, entities and countries with which they will be conducting activities and provide certification of items transported and the information on those items. Without documentation for each traveler the risk is increased that all activity or items transported may not be captured. To better ensure compliance with export control regulations, completion of the form by each individual for each trip is necessary.

The following was also noted regarding international travel:

- Three of 12 (25%) individuals reviewed did not complete the online export control course within the 24 months preceding foreign travel as required by TEEX procedure 15.02.99.01-1, Export Management and Compliance Program.
- Four of 12 (33%) individuals reviewed did not submit travel voucher detail to Financial Management Services within the required 10 days (15 days after initiation of e-Travel in January 2014) as required by TEEX Procedure 21.01.03.N0.01, Travel.

Recommendation

Update the TEEX export reviews and assurances (SES 23) form to clarify information required to be provided. Communicate requirements for completing the form and export control training. Monitor all international travel to ensure forms are completed by all travelers and training is completed as required. Communicate documentation and timeline requirements for international travel and travel reimbursement.

Management’s Response

The TEEX SES 23 form, Export Reviews and Assurances was updated on October 17, 2014. Improvements include a requirement to indicate in a check box when items will not be transported and clarification that it must be completed for each traveler. Signature lines in each area of the Export Control Review have also been added. The implementation of the CONCUR travel system at TEEX provides a location to attach the SES 23 and to verify other international travel requirements for the traveler. One of the blocks to check is that the export control course has been within two years prior to travel. Diligence by the reviewers is still required to verify, but the potential to take action on a false statement should improve the rate of compliance. TEEX is in the process of updating the export control online training to make it of greater benefit to the traveler. The date for the update to be available is March 30, 2015.
The existing course still presents correct data and will be used until the updated course is available. CONCUR will help provide greater visibility for timely filing of international travel reimbursements. Date for all actions to be complete: March 30, 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to review Texas A&M Engineering Extension Service’s (TEEX) financial management services’ operations to determine if resources are used efficiently and effectively and operations are performed in compliance with laws and policies. The audit period focused primarily on activities from September 1, 2012 to February 28, 2014. Areas reviewed included segregation of duties of revenue collection procedures and working funds, bank and clearing account reconciliations, accounts receivable administration, procurement card processing, travel, temporary working funds and analysis of accounts payable data. Fieldwork was conducted from May 2014 to October 2014.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; TEEX Standard Administrative Procedures; 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.
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First Quarter Report for Fiscal Year 2015

TEXAS A&M UNIVERSITY – SAN ANTONIO

Review of Health, Safety, and Environmental Management

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20142502
Overall Conclusion

Overall, Texas A&M University – San Antonio’s controls and processes over health, safety, and environmental management operations provide reasonable assurance that a safe environment exists for students, faculty, staff and visitors and that the university is in compliance with relevant laws, policies, regulations, and rules. Management is committed to creating and maintaining a safety conscious culture within the university. Opportunities for improvement were noted in the area of safety inspections.

The university is in the process of developing its safety program and has one employee in the Department of Safety, Risk and Emergency Management (SREM). There are very few labs, chemicals, and student activities at the university at this time which reduces the overall safety risk. As the university continues to grow, it will be important to further formalize safety processes, reassess staffing levels in SREM, look for ways to automate safety processes, and maintain existing safety communication across the campus to ensure that a safe environment continues to exist for students, faculty, staff and visitors.

Detailed Results

Safety Inspections

Although regular fire, life, and lab safety inspections are performed, improvements are needed to the inspection processes. The university has implemented procedures to support its fire, life, and lab safety inspection process, and the Department of Safety, Risk and Emergency Management (SREM) conducts periodic safety inspections of campus facilities. However, the following issues were noted during the review of the safety inspection process:

- A risk-based approach is not being used for scheduling safety inspections. Safety procedures indicate that lab inspections will occur quarterly although these are currently being performed on a monthly basis. As the campus grows and adds more facilities and labs, a risk-based approach will be needed to...
ensure adequate inspection coverage of the university's riskiest facilities as well as an efficient use of SREM resources.

- The current fire and life safety inspection process covers major fire and life safety areas such as fire extinguishers, fire alarms and emergency lighting, but inspections should be expanded to address other potential fire and life safety areas such as fire doors and exits, electrical outlets and connections, and fire sprinkler systems.

- Inspection reports do not include target implementation dates for deficiencies identified based on the associated risk of the deficiency and are not subjected to a formal follow-up inspection to ensure deficiencies are resolved in a timely manner.

Texas A&M System Supplemental Risk Management Standards require that safety deficiencies be identified and addressed through inspections. Without an effective safety inspection process which includes formal follow-up reviews of all deficiencies identified, there is a greater risk of safety hazards for faculty, staff, students and visitors along with property damage.

**Recommendation**

Strengthen controls over safety inspections as follows:

- Develop a risk-based safety inspection schedule for campus facilities and labs to determine the inspection frequency necessary to ensure a safe working environment.

- Expand the fire and life safety inspection process to include all key fire and life safety areas.

- Assess and rate the associated risk of safety deficiencies identified and set a target implementation date for corrective actions based on the corresponding risk.

- Document and provide regular status updates to management of corrective actions taken to address these deficiencies and schedule follow-up reviews based on the target implementation dates to ensure appropriate corrective actions have been taken. Inform upper management of deficiencies that are not corrected in a timely manner.
Update departmental operating procedures to include these new processes and procedures.

Management’s Response

To strengthen controls over safety inspections, the following changes have been or will be implemented:

- A safety risk assessment provided by the Texas A&M University – Corpus Christi Safety Officer has been modified and utilized by the university. Results indicate that quarterly inspections are sufficient based on the risk associated with the university's four labs. A risk-based fire and life safety inspection schedule will also be developed and implemented for campus facilities.

- A fire and life safety checklist has been developed and implemented which includes all key fire and life safety areas.

- The existing lab inspection form has been improved to include target implementation dates for corrective actions and to indicate results of follow-up inspections of these corrective actions. A section has also been created at the bottom of the form for the date the report is provided to the college dean. Completed reports will be provided via email to substantiate the communication of lab inspection results. The existing fire and life safety inspection form will also be improved to address these areas.

Implementation Date: March 31, 2015.
Basis of Review

Objective and Scope

The objective of the audit was to review the controls over health, safety and environmental management to determine if Texas A&M University – San Antonio is in compliance with laws and policies, and provides reasonable assurance that a safe environment exists for students, employees, and visitors.

The review of health, safety and environmental management at Texas A&M University – San Antonio focused on chemical administration, fire and life safety inspections, kinesiology lab safety practices, lab safety inspections, student activities, student lab safety training, and student travel. The audit period focused primarily on activities from November 1, 2013 to June 30, 2014. Fieldwork was conducted from July to August 2014.

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.
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TEXAS A&M TRANSPORTATION INSTITUTE

Review of Proving Grounds Research Facility Compliance for International Standards Accreditation

Catherine A. Smock, C.P.A.
Chief Auditor

Project #20151201
Overall Conclusion

Overall, the Texas A&M Transportation Institute’s (TTI) Proving Grounds Research Facility testing documentation is in compliance with its quality management system developed to comply with testing services identified in the International Standard Organization (ISO) 17025 as required by the American Association for Laboratory Accreditation (A2LA). The management system was developed to document policies, systems, programs, procedures, and instructions to assure the quality of tests and the result meets ISO 17025 management requirements.

Our audit included the follow-up review to our prior report which was issued in January 2014. Management has implemented an electronic document imaging system (Laserfiche) to improve operating efficiencies, manual workflow processes, and reduce paper documentation of testing files.

Basis of Review

Objective and Scope

The review of the TTI Proving Grounds quality assurance program for ISO 17025 accreditation purposes focused on compliance with the agency’s quality management system testing procedures and International Standard Organization 17025, General Requirements for the Competence of Testing and Calibration Laboratories requirements. The audit period focused primarily on activities from July 1, 2013 to August 31, 2014. Fieldwork was conducted from September to October, 2014.
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 the requirements of ISO 17025. 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.

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