The Texas A&M University System Internal Audit Department

SECOND QUARTER REPORT
FISCAL YEAR 2015

April 15, 2015
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>REPORT</th>
<th>Description</th>
</tr>
</thead>
</table>
| REPORT | Prairie View A&M University  
Review of Enrollment Management Planning |
| REPORT | Texas A&M Engineering Extension Service  
Review of Health, Safety and Environmental Management |
| REPORT | Texas A&M Forest Service  
Review of Transportation and Fleet Services |
| REPORT | The Texas A&M University System Offices  
Review of Contract Administration |
PRAIRIE VIEW A&M UNIVERSITY

Review of Enrollment Management Planning

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

Project #20140504
Overall Conclusion

A coordinated enrollment management plan is not in place to guide Prairie View A&M University’s recruitment, admissions, and retention processes. The university’s strategic goals and objectives include elements related to enrollment management; however, the university needs to develop strategies and action plans to achieve these goals and align resources accordingly. Without clear objectives and measures, it is difficult to effectively plan activities, prioritize use of resources, or measure progress. As the concept of enrollment management cuts across institutional departments, colleges and graduate schools, it is essential that goals, objectives, and action plans be documented and approved.

In higher education, enrollment and student success are key performance measures. Prairie View A&M University enrollment decreased 5% from 2010 to 2014. In 2014, the university experienced a 1% increase from the prior year in enrollment with 8,343 students. The university’s six-year graduation rate has averaged 34% for freshman entering college between 2004 and 2008.

Significant Results

Enrollment Management Planning

A coordinated enrollment management plan is not in place to guide the university’s recruitment, admissions, and retention processes. Various documents outlining goals and objectives regarding enrollment management have been prepared making priorities unclear. Action plans to achieve the goals and objectives are often not detailed or monitored. Additionally, a lack of coordination between university departments has caused limited synchronization of enrollment management planning efforts.

The university’s most recent strategic document does not include strategies or action plans to achieve enrollment management related goals and objectives and a supporting plan drafted in 2009 by the Office of Enrollment Management is outdated. The university obtained three consultant reports regarding enrollment planning and retention data analysis between November 2013 and February 2014. As of November 2014, a management analysis had not been conducted to determine any
actions to be taken as a result of the recommendations and data received from these services.

Without clear objectives and specific measures, it is difficult to effectively plan activities, prioritize use of resources, or measure progress. As the concept of enrollment management cuts across institutional departments, colleges and graduate schools, it is essential that goals, objectives, and action plans be documented and approved to ensure:

- Activities align with the university’s strategic plan/goals/objectives;
- Clear delineation of the activities that will be performed by specific divisions;
- Limited resources are utilized on priority activities;
- Direction of the Enrollment Management division is clear between executive management, the division, and staff;
- University-wide efforts are cohesive and synchronized in regards to recruitment, admissions and retention processes; and
- Progress can be measured and monitored.

**Recommendation**

Develop an enrollment management plan that includes defined action plans, measures of success, specific deadlines, and responsible parties for implementation. Determine any actions to be taken as a result of the recommendations and data received from the three consultant reports and develop an implementation plan. As appropriate, integrate this and activities from other sources such as the university’s enterprise risk management priorities and the Texas Higher Education Coordinating Board and Federal Title III initiatives. Clearly communicate the plan to provide congruency across institution departments in enrollment management activities and frequently monitor progress.

**Management’s Response**

The Office of Enrollment Management agrees with your finding and recommendations and we will implement the following:

- Management is in the process of securing a consultant to facilitate the development of a comprehensive Strategic Enrollment Management Plan and Academic Master Plan that will include defined action plans, measures of success, specific deadlines, and responsible parties for implementation. The recommendations and data from the three consultative reports will be utilized as a resource during the development of these comprehensive plans. As appropriate, management will integrate the recommendations and activities
from other sources such as the university’s enterprise risk management priorities and the Texas Higher Education Coordinating Board and Federal Title III initiatives into the comprehensive Strategic Enrollment Management Plan.

- Upon completion of the plan, management will communicate the plan to provide congruency across institution departments in enrollment management activities and progress will be monitored regularly.

Implementation Date: February 29, 2016

Basis of Review

Objective and Scope

The overall objective of this audit was to review enrollment management planning processes and controls to determine if strategic and operational results and outcomes are achieved. The audit period focused primarily on activities from September 2013 to August 2014. Areas reviewed included the Division of Enrollment Management which includes the Office of the Registrar, New Student Orientation, Recruiting, Student Academic Success Center, and Admissions as well as the Division of Graduate Studies. Documents reviewed for this audit include the university’s and the Office of Enrollment Management’s strategic plans, three consultant reports, the university’s enterprise risk management matrix, Texas Higher Education Coordinating Board’s Closing the Gaps initiative targets for the university and an excerpt of the university’s Federal Title III Summative Evaluation Report. Fieldwork was conducted from September 2014 to November 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.
Prairie View A&M University: Review of Enrollment Management Planning

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TEXAS A&M ENGINEERING EXTENSION SERVICE

Review of Health, Safety and Environmental Management

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

Project #20150901
Overall Conclusion

Overall, the processes established over the health, safety, and environmental management at Texas A&M Engineering Extension Service (TEEX) provide reasonable assurance that a safe environment exists for employees, training participants, volunteers, and visitors. TEEX needs to establish a bloodborne pathogen exposure control plan to provide reasonable assurance that the agency is operating in compliance with applicable federal laws and guidelines and A&M System policies and regulations. Opportunities for improvement also exist in the areas of agency-wide monitoring, visitor and volunteer procedures, safety inspection procedures, instructor requirements, and completion of the environmental management system.

Summary of Significant Results

Bloodborne Pathogens Exposure Control Plan

TEEX has not developed an agency-wide bloodborne pathogens exposure control plan to provide guidance regarding occupational risks and specific precautionary control measures needed to manage and minimize potential exposure to bloodborne pathogens. Monitoring procedures are not in place to ensure that employees with potential exposure receive the necessary training before initial exposure to blood or other potentially infectious materials, and meet ongoing annual training requirements. Without an exposure control plan, employees with potential exposure to bloodborne pathogens or other potentially infectious materials may not be identified, provided required training, and offered vaccines to minimize their risk of infection.
Summary of Management’s Response

The Texas A&M Engineering Extension Service (TEEX) accepts the recommendations contained in this audit report and has begun to implement them to improve operations. TEEX will complete all recommendations by August 31, 2016.
Detailed Results

1. Bloodborne Pathogens Exposure Control Plan

TEEX does not have a written agency-wide bloodborne pathogens exposure control plan. An agency-wide bloodborne pathogens exposure control plan has not been developed to provide guidance regarding occupational risks and specific precautionary control measures needed to manage and minimize potential exposure to bloodborne pathogens. Centralized monitoring procedures are not in place to ensure employees with potential exposure to bloodborne pathogens are identified, provided required training, and offered vaccines to minimize their risk of infection. Texas Administrative Code, Title 25, Health Services requires governmental unit employees with a risk of exposure to blood or other potentially infectious materials to develop a plan to minimize exposure to bloodborne pathogens.

Recommendation

Develop an agency-wide bloodborne pathogens exposure control plan. Implement monitoring procedures to ensure that employees with potential exposure to bloodborne pathogens or other potentially infectious materials are identified, receive safety training as required, and are offered vaccines. Consider utilizing the automated feature within the TrainTraq system to provide bloodborne pathogens training as well as monitor and track employee training.

Management’s Response

TEEX will put an agency bloodborne pathogens exposure control plan in place by May 31, 2015 with TrainTraq as the training delivery and tracking vehicle. TEEX will fully implement the plan to include identification of those to receive training and those to receive vaccine offerings by August 31, 2015. Monitoring of this area will be included in the annual monitoring plan.

2. Agency-level Monitoring of Health and Safety Risks

Although TEEX has increased the agency-level monitoring of health and safety risk mitigation activities, some areas need additional agency-level guidance and monitoring. TEEX has established safety as a priority and, through the enterprise risk management (ERM) process, has identified risks and corresponding mitigating activities to address those risks. The responsibility for monitoring mitigating activities is primarily at the division or program level. This
was noted specifically during our review of visitor and volunteer processes, safety inspections, and training instructor requirements. Monitoring ensures that controls operate in an efficient manner, and risk is assessed and periodically evaluated for effectiveness. The lack of agency-level monitoring increases the risk that divisions are not using standardized documentation, or not performing health and safety functions in a consistent manner. Additional agency-level monitoring and reporting efforts to ensure the divisions are in compliance with safety procedures would provide executive management with more reasonable assurance that TEEX is operating in a safe environment and maintaining the safety standards that have been established for the agency.

**Recommendation**

Establish agency-level monitoring functions associated with the risk mitigation activities identified in the ERM including, but not limited to, visitor and volunteer processes, safety inspections, and instructor requirements.

**Management’s Response**

*TEEX will publish an updated annual monitoring plan by May 31, 2015. The updated plan will incorporate the areas recommended, along with the other areas from the enterprise risk management plan. Because not all areas in the recommendation currently have agency policies and procedures established, the plan will include a projected schedule for monitoring of each area.*

3. **Visitors and Volunteers**

*TEEX does not have agency-wide documented policies and procedures to provide guidance for safety training and completion of liability release forms for visitors and volunteers.*  Divisions generally require visitors to complete and sign a participant liability waiver before participating in various activities. Results of a review of five events, four involving visitors and one volunteer, at the Emergency Services Training Institute included the following:

- Participant liability waivers were not maintained for volunteers at Disaster City involved in search and rescue activities. According to program management, Disaster City only retains liability waivers for a six-month period which is not in compliance with the A&M System Records Retention Schedule. In addition, liability waivers were not available for the ten volunteers at two exercises, one in July 2014 and the other in August 2014, occurring less than six months from the time of audit testing.
The Disaster City program accepts volunteers age 16 and older to participate. There are no documented procedures to provide guidance on the appropriate steps to be taken to ensure the safety of minor volunteers (under age 18). Additional precautions need to be taken when involving minor volunteers to ensure their safety and that their legal guardians have provided informed consent for their participation in the event.

- Participant liability waivers for visitors at training exercises are not consistently used to document the volunteers’ understanding of the risks involved and waiver of liability. One of four (25%) events reviewed involved visitors with the option to put on bunker gear and participate in a live fire activity while not requiring signed liability waivers.

Without properly documented agency-wide policies and procedures for safety training and requirements for completion and retention of participant liability waivers there is an increased risk of personal injury to visitors or volunteers due to the lack of medical treatment authorizations and the risk of negative publicity.

Recommendation

Develop documented agency-wide policies and procedures for safety training and liability release form requirements for visitors and volunteers at TEEX divisions. Retain liability release forms in compliance with the A&M System Records Retention Schedule.

Management’s Response

*TEEX will publish agency-wide policies and procedures related to visitors, volunteers, and minors participating in TEEX training by May 31, 2015. The policies will include instructions on records retention. Monitoring of this area will be included in the annual monitoring plan.*

4. Safety Inspections

Safety inspection procedures were not fully documented at the TEEX divisions. Checklists are used to document safety inspections; however, the safety inspection process at each division was not fully documented to include inspection frequency, how results are to be reported, and the follow-up inspection process. While safety inspections were routinely conducted at each division reviewed, the TEEX environmental health and safety coordinator and the division safety officer were not always aware of safety inspection results or the status of deficiencies identified.
Four of 17 (24%) deficiencies reviewed were not resolved timely. Two were initially identified as deficiencies and were left unresolved for four months. Another inspection was performed by a new safety inspector that determined these items were not actually deficiencies and did not need any corrective action. The remaining two deficiencies were to be resolved by Texas A&M University Environmental Health and Safety submitting a work order to university outsourced repair and maintenance services; however, this had not been done and TEEX initiated the work orders upon auditor inquiry. For an additional six deficiencies, corrections were made but no information was available to determine when they were corrected. These noted exceptions were relatively minor deficiencies, but they illustrate instances in which deficiencies were not addressed in a timely manner.

The safety inspection process is not monitored at an agency level to ensure inspections are periodically conducted, documented, and provided to upper agency management. TEEX standard administrative procedures require divisions to ensure periodic safety inspections are conducted and that these records are maintained. Without documented safety inspection procedures and agency-level monitoring, there is increased risk of injury and property damage due to safety deficiencies not being corrected in a timely manner.

Recommendation

Develop comprehensive documented procedures for safety inspection processes at the divisions and the agency-level monitoring process. Implement a formal tracking process for inspection deficiencies and document the follow-up inspection process.

Management's Response

TEEX will publish updated procedures to establish agency-wide policies and improved guidance for the divisions on inspections and documentation of deficiencies, actions, and resolution by May 31, 2015. Monitoring of this area will be included in the annual monitoring plan.

5. Training Instructor Requirements

Training instructor requirements have not been established and documented at the agency level to support instructor qualifications. Each program within the divisions is responsible for ensuring that instructors have expertise in the subject matter and current credentials, such as certifications and licenses, before teaching courses that require specific instructor qualifications. TEEX provides training courses that may be used for obtaining or maintaining certificates and licenses
issued by other agencies and must meet the issuing agency instructor requirements. In addition, some training courses include high risk activities that require instructor expertise to provide for the safety of participants.

Our testwork did not indicate that any of the instructors reviewed were not qualified to teach the courses. However, there were difficulties in obtaining information on instructor requirements and qualifications at an agency-wide level and some information was not available. Two of 33 (6%) instructors reviewed had no documentation available to support instructor qualifications. Some instructor qualifications were available from personnel files at Human Resources while other qualification information was obtained from the training programs at the divisions.

A centralized method of tracking instructor credentials and qualifications would demonstrate the agency has effective controls to ensure participants are receiving instruction from well qualified instructors and reduce the agency's risk of liability exposure from participant injuries.

**Recommendation**

Develop a centralized database to track and monitor instructor skill sets and credentials. Establish instructor requirements and develop procedures for maintaining documented support of instructor qualifications at an agency level.

**Management’s Response**

*TEEX will have a fully functional instructor requirements database system by August 31, 2016. The database will include training instructor requirements as well as instructor qualifications and credentials to facilitate monitoring at the agency level.*

6. **Environmental Management System**

*TEEX's environmental management system agreement with Texas A&M University has not been finalized.* The agency's environmental management system is closely tied to Texas A&M University's (TAMU) environmental management system. Although a documented agreement between TEEX and TAMU describing the responsibility of each party for identifying and managing significant environmental risks has been drafted, it has not been completed and formally executed. A&M System Policy 24.01, *Risk Management* requires each member to develop an environmental management system that identifies significant environmental interfaces, manages these on a priority basis, and measures the progress toward achieving environmental objectives and targets. Without a formal
environmental management system, the agency is not in compliance with system policy as related to environmental safety risks.

Recommendation

Finalize the agency's environmental management system agreement with Texas A&M University.

Management’s Response

Texas A&M University Environmental Health and Safety finalized the agreement on January 28, 2015. TEEX will complete any other documents needed to fully establish the environmental management system by May 31, 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to review and assess the agency’s controls and processes over health, safety, and environmental management to ensure that they provide reasonable assurance that a safe environment exists for students, faculty, staff, and visitors.

The review of health, safety, and environmental management at TEEX focused on safety subcommittees, training records, risk assessments, safety inspections, safety incentive program, safety notes, annual division director safety updates, participant liability waivers, and environmental management system. The audit period focused primarily on activities from September 1, 2013 to August 31, 2014. Fieldwork was conducted from October 2014 to December 2014.

Criteria

Our audit was based upon standards as set forth in the Texas Administrative Code, System Policy and Regulation Manual of the Texas A&M University System; TEEX Safety Manual; 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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Second Quarter Report for Fiscal Year 2015

TEXAS A&M FOREST SERVICE

Review of Transportation and Fleet Services

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

Project #20151101
Overall Conclusion

Texas A&M Forest Service transportation and fleet resources appear to be used efficiently and effectively; however, additional efforts are needed to ensure compliance with all applicable laws, policies, regulations, and agency rules. Significant improvements need to be made to ensure compliance with required property officer training. Opportunities for improvement were also noted in the areas of inventory management and reporting of fleet maintenance information.

The agency vehicle fleet consists of 484 vehicles with an acquisition value of $16 million. The fleet is used statewide for forest resource development and protection services with operations based at the agency's 39 offices and 28 workstations. All of the vehicles are subject to use for law enforcement and emergency response efforts for wild fires and other natural disasters, including 398 vehicles used primarily for emergency response efforts.

Summary of Significant Results

Property Officer Training

Controls were not in place to ensure that the required property management training was taken and documented for the accountable property officers (APO) and alternate accountable property officers (AAPO). Frequent APO and AAPO property management inquiries and inventory management exceptions, including incorrect property tags and condition codes as well as delays in submitting annual inventory certifications and adding vehicles to the inventory, indicate the need for additional property management training. Periodic training, especially when procedures change, ensures that those with assets under their care are aware of their property management responsibilities. The lack of training for property officers could result in inefficient use of employee time, inaccurate records, and noncompliance with required procedures.
Summary of Management’s Response

We agree with the auditor’s recommendations. We plan to have the corrective actions implemented by February 28, 2016.
Detailed Results

1. Property Officer Training

Controls were not in place to ensure that the required property management training was taken and documented for the accountable property officers (APO) and alternate accountable property officers (AAPO). Although the agency has provided training in the past, it currently requires all APOs and AAPOs to sign responsibility statements which acknowledge that they have received and understand the agency equipment management procedures.

For 12 of the 15 (80%) APOs and 14 of the 15 (93%) AAPOs tested, the properly signed responsibility statements were not on file. The A&M System Asset Management Manual states, "Property Managers need to ensure that the Accountable Property Officers or their Alternates are trained in issues related to personal property management for assets under their care... Since Alternate Accountable Property Officers generally fill out the paperwork and are aware of day-to-day equipment issues, Property Managers need to train these individuals on proper asset management procedures for property under their care." A&M System Regulation 21.01.09 Fixed Asset Management requires system members to implement and enforce the Asset Management Manual's provisions.

The frequent APO and AAPO property management inquiries for the property records officer and the inventory management exceptions noted in the next audit observation indicate the need for additional property management training. Periodic training, especially when procedures change, ensures that those with assets under their care are aware of their property management responsibilities. The lack of training for property officers could result in inefficient use of employee time; inaccurate records; and noncompliance with agency administrative procedures, A&M System regulations, and state law.

Recommendation

Establish procedures to ensure all APOs and AAPOs receive property management training. Establish a monitoring process to ensure signed responsibility statements are on file for all APOs and AAPOs.
Management’s Response

We agree with the auditors’ recommendations. Signed responsibility statements for all APOs and AAPOs are currently on file. New online training will be developed and procedures will be established to ensure APOs and AAPOs are trained and sign responsibility statements. We plan to have the corrective actions implemented by February 28, 2016.

2. Inventory Management

Inventory procedures related to the agency’s fleet need improvement to ensure that inventory information is complete and accurate. The following conditions were noted:

- Condition codes for four of the 15 (27%) vehicles tested did not accurately represent the vehicle’s current condition according to section 19 of agency Administrative Procedure 30.02 Equipment Management. One of the vehicles reviewed was wrecked in January 2014, but still had a condition code of "01" (in excellent condition) in the Financial Accounting Management Information System (FAMIS) as of December 23, 2014.

- Three of 15 (20%) inventory tags for vehicles tested did not include "Property of the State of Texas or the agency" as required by the A&M System Asset Management Manual.

- During the annual inventory process, 10 of 15 (67%) certification of physical inventory of property forms reviewed were not submitted in a timely manner. The forms were due July 31, 2014; and the late submissions averaged 82 days late (ranging from 1 to 132 days late). Section 19 of the agency Administrative Procedure 30.02 and the A&M System Asset Management Manual require that all capital assets and controlled assets must be entered into the official inventory record and inventoried annually.

- One of 15 (7%) vehicles tested was not added to the vehicle inventory listing in a timely manner. The vehicle was acquired June 18, 2014; but it was not entered into FAMIS inventory until September 4, 2014. It was not entered into the Texas Fleet System until October 15, 2014 (119 days after the purchase date).

These conditions could result in the agency not having an accurate portrayal of their inventory; inaccurate fiscal records and information reported to the state; and noncompliance with procedures, policies and regulations.
Recommendation

Establish monitoring controls over the certification of physical inventory of property forms to ensure forms are submitted timely and condition codes are updated. Establish guidelines for ensuring wrecked or salvaged vehicles are transferred to surplus in a timely manner. Replace inventory tags which do not meet requirements. Establish monitoring controls over vehicles entered into the inventory listing to ensure compliance with reporting requirements.

Management’s Response

We agree with the auditors’ recommendations. We plan to have the corrective actions implemented by August 31, 2015.

3. Reporting Fleet Maintenance

Preventative maintenance information submitted to the State of Texas in the vehicle use reports does not appear to be accurate, and the reports are not always submitted timely to the state. For 10 of the 15 (67%) vehicles reviewed, the preventative maintenance reported to the state in accordance with Texas Government Code did not meet the manufacturer’s suggested maintenance schedules as required by agency Administrative Procedure 30.03 Vehicle Fleet Maintenance. However, agency vehicles are normally kept for many years and driven until the mileage is high which indicates that they are being maintained appropriately.

Also, four of the 16 (25%) quarterly vehicle use reports reviewed were not submitted timely to the state vehicle reporting system. The late submissions ranged from one to eight days late. According to Texas Government Code, reports are required to be submitted on a quarterly basis, not earlier than the 45th day or later than the 60th day after the date which the quarter ends. The requirement lacked enforcement due to the lack of monitoring controls at the agency.

Recommendation

Establish monitoring procedures to ensure that vehicle maintenance expenses are captured and accurately reported in a timely manner in the quarterly vehicle use reports.
Management's Response

We agree with the auditors’ recommendations. We will research the causes for maintenance expense data omissions and modify our procedures to ensure that the data is properly captured and reported. We plan to have the corrective actions implemented by February 28, 2016.
Basis of Review

Objective and Scope

The objective of this audit was to review and assess the financial and management controls over the transportation and fleet services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and agency rules.

The review focused primarily on property officers’ responsibility statements and training; motor vehicle accidents; fleet inventory, maintenance, and reporting; capital funding approvals; and the performance of random inventories. The audit period focused primarily on activities from September 1, 2013, to September 30, 2014. Fieldwork was conducted from October 2014 to January 2015.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the Texas A&M University System Asset Management Manual; Texas A&M Forest Service Rules and Administrative Procedures; Texas Administrative Code; Texas Government Code; 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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Second Quarter Report for Fiscal Year 2015

THE TEXAS A&M UNIVERSITY SYSTEM OFFICES

Review of Contract Administration

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

Project #20150105
Overall Conclusion

Overall, the processes and controls established over contract administration in the Texas A&M University System Offices (System Offices) provide reasonable assurance that contractual agreements are compliant with laws and policies. A&M System Regulation 25.07.01 on contract administration is outdated and does not offer clear guidance to members for contract administration requirements as outlined in A&M System Policy 25.07. In addition, the System Offices has not developed a contract administration rule as required by A&M System Policy 25.07. With the increased level of contracting throughout the system, it is important that the responsible contact office keep system regulations and member rules updated in a timely manner.

The System Offices could enhance its controls by providing more centralized contract administration and coordination of responsibilities throughout all phases of the contract management process as suggested by the state’s contract management guide.

Summary of Management’s Responses

Management agrees with the recommendations in the report and has taken, or is in the process of, taking steps to implement all of the recommendations by May 31, 2015.

Detailed Results

1. A&M System Regulation 25.07.01

A&M System Regulation 25.07.01 is outdated and does not offer clear guidance to members for contract administration requirements outlined in A&M System Policy 25.07. A&M System Policy 25.07, Contract Administration was updated in 2013; however, A&M System Regulation 25.07.01, Contract Administration Procedures and Delegations has not been updated since September 2010. The updated policy includes information on contract execution,
administration, and contract closeout. The regulation has not been updated to address any of these new requirements.

By not coordinating the review and update of the regulation at the same time as the policy, inconsistencies between the two documents have been created. The updated policy broadened the scope of contract administration requirements for system members while the regulation maintained a narrow scope. This creates confusion and inconsistencies in the execution of the members’ compliance with the system regulation and policy.

It is important that members are provided with contract administration guidance to ensure that contractual agreements are in the best interest of the system members and the State of Texas. Prior System Internal Audit Department reviews of contract administration at our system members indicate that additional guidance is needed for member institutions to have adequate contract oversight and monitoring for enforcement of contract terms.

**Recommendation**

Update A&M System Regulation 25.07.01 to provide clarity and consistency with A&M System Policy 25.07 and provide guidance for all phases of contract administration outlined in the policy.

**Management’s Response**

*Management agrees with this recommendation. System Regulation 25.07.01 has been revised to provide clarity and consistency with A&M System Policy 25.07. The draft revision has been reviewed by the System Policy Office and has been deemed legally sufficient by our Office of General Counsel. The draft revision was sent out for member review on March 4, 2015. Feedback relative to the revisions is due back to the System Policy Office by close of business, Wednesday, March 18, 2015. Updated regulation will be posted on or before April 30, 2015.*

2. **Contract Administration Rule**

*The System Offices has not developed a contract administration rule as required by A&M System Policy 25.07.* The policy requires members to develop and implement a contract administration rule providing guidance on contract origination, recommendation, approval, execution, administration, contract closeout, and contract reporting requirements for employees to understand their responsibilities for managing the contracting process from inception to contract completion. The policy was updated in October 2013; however, resources were not
allocated for timely development of a rule at the System Offices resulting in noncompliance with the policy as well as lack of guidance for System Offices’ employees.

Recommendation

Develop a contract administration rule to define processes for origination, recommendation, approval, execution, administration, contract closeout, and contract reporting requirements in compliance with A&M System Policy 25.07.

Management’s Response

*Management agrees with this recommendation. A System Offices’ rule will be developed to address the contract administration processes noted. The System Office of HUB and Procurement Services will work with the System Policy Office and the Office of General Counsel in establishing this rule. The rule will be developed by May 31, 2015.*

3. Centralized Contract Administration

*The System Offices does not have a centralized contract administration function to provide oversight and coordination of responsibilities throughout all phases of contract management as recommended by the State Comptroller’s State of Texas Contract Management Guide.* Currently, the System Offices relies upon individual people rather than a centralized contract management structure with oversight responsibility to ensure contracts are handled appropriately and in compliance with laws, policies, and regulations. Our testing of fourteen contracts did not identify any significant noncompliance with contract terms. However, we did note some noncompliance primarily due to the individuals handling the contracts being unaware of certain contracting requirements. Without a centralized contract administration function, there is greater risk for noncompliance with contract terms and processes due to a lack of knowledge of contracting process requirements.

The Procurement and Business Services department who has responsibility for processing purchases exceeding $5,000 and providing procurement assistance to system members, could not readily identify all of the System Offices’ contracts with outside parties for the audit period being reviewed. The department does not have a central database and original contracts are maintained with the contract subject matter expert’s department. Additionally, the department has not provided adequate guidance to the decentralized areas for effective administrative
oversight. The State Comptroller’s Office publication, *State of Texas Contract Management Guide* states: “Keeping one complete master contract administration file is critical … Agencies should maintain an original of all contracts on file in a central repository. This allows contract managers to reference past or current contracts for useful information relating to a current project.” The *Guide* also recommends having a centralized contract management function that oversees all the phases in contracting.

**Recommendation**

Establish a centralized contract administration oversight function. Provide resources to develop a framework to manage and oversee contract administration as recommended by the State Comptroller’s Office. Consider following the best practices outlined in the *State of Texas Contract Management Guide*.

**Management’s Response**

*Management agrees with this recommendation. Approval to create a new contract administrator position was received on February 19, 2015. This new position will fall under the oversight of the Director, Procurement & Business Services. The position will be responsible for establishing a contract administration oversight function. Responsibilities will include (but not limited to) maintenance of associated policies and regulations, delegations of authority, contract review process and associated workflows, and ensuring compliance with state reporting requirements. Our goal is to have this position filled by May 31, 2015.*
Basis of Review

Objective and Scope

The overall objective of this audit was to review the controls over contract administration to determine if the System Offices are compliant with laws and policies.

The review of contract administration at the System Offices focused on contract approvals, monitoring, and compliance with contract terms. The large value contracts reviewed included benefits administration, information technology, professional services, and purchases. The audit period focused primarily on activities from September 1, 2013 through October 31, 2014. Fieldwork was conducted from November 2014 to January 2015.

Contracts included in this review:

- Columbia Advisory Group, LLC – consulting services
- Peter Tarlow – consulting services
- Cooley, LLC – legal services
- Periscope – software
- Maximus Higher Education, Inc. – cost calculation services
- Just Media, Inc. - Technical assistance, equipment and software
- Factory Mutual Insurance Company – insurance
- Korn Ferry International - executive recruitment services
- PriceWaterhouseCoopers – consulting services
- Blue Cross and Blue Shield of Texas – employee health plans
- Express Scripts, Inc. – pharmacy benefit management
- Academic HealthPlans, Inc. – student health plans
• Deer Oaks EAP Services, LLC – employee assistance programs
• PayFlex Systems USA, Inc. – flexible spending plans

**Criteria**

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the State Comptroller’s Texas Contract Management Guide; 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.
Audit Team

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