March 10, 2016
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PRAIRIE VIEW A&M UNIVERSITY

Review of Contract Administration

March 10, 2016

Charlie Hrncir, C.P.A.
Chief Auditor
Overall Conclusion

Overall, processes and controls established over contract administration at Prairie View A&M University provide reasonable assurance that contractual agreements are compliant with laws, policies, regulations, and contract terms. Contract monitoring processes are in place and contract terms tested for several major university contracts were generally in compliance with contract requirements. Additional monitoring is needed in some areas to further ensure contract terms are being met. The university's contract database could also be improved by ensuring all important contract information is being adequately captured and maintained to better facilitate oversight and monitoring of contracts.

Detailed Results

1. Contract Compliance

The university's contract administration process requires additional monitoring in some areas to further ensure compliance with contract terms. The university has a Contract Office staffed with qualified individuals and procedures and forms have been developed and implemented for administering contracts at the university. Although processes are in place, additional monitoring is needed in some areas. Fifteen out of 107 (14%) contract terms tested were not in compliance with contract requirements or were not being sufficiently monitored.

Ellucian Technology Management Services

- Professional liability/errors and omissions insurance obtained by the vendor included only $2 million of coverage rather than $10 million as required.
- The performance measure related to the availability of the incident management system is not included in the reports used for monitoring vendor performance.
• The performance measure related to incident response time is not included in the reports used for monitoring vendor performance.
• A project management website is not in place to track all information technology projects as required.

**Severn Trent Environmental Services**
• The water and wastewater license required for the vendor’s field operator was expired.
• Written notice was not provided to the vendor by the university prior to a change in the designated relationship/service manager as required.

**Southeast Services Solutions (SSC) Facilities Support Services**
• Although provisional statements of work were recently updated and are being finalized in a separate letter of agreement, this did not occur within 120 days of the effective date of the contract as required.
• Vendor performance reports are prepared, but do not contain formal agreed-upon benchmarks for satisfaction or action plans to correct deficiencies.
• Informal inspections of the premises are performed by university personnel, but a formal inspection process is not in place.
• Weekly reports are provided by the vendor through email, but not formally signed by SSC’s Director of Plant Operations and Maintenance as required.

**Follett Campus Bookstore Services**
• The university does not provide prior written consent as required for bookstore alterations or improvements by the vendor.
• Monitoring processes are not in place to ensure Follett prices are industry standard, competitive, and fair per contract pricing terms.
• Owner’s protective liability insurance obtained by the vendor does not include $1 million of coverage for bodily injury as required.

**Sodexo Dining Services**
• A statement certifying the accuracy of revenue reported and commissions paid to the university has not been provided by the vendor’s division controller as required.
**Pepsi Beverages Company Sponsorship**

- A marketing calendar is not maintained, prior approval is not given for marketing promotions, and valuation of promotions is not maintained as required.

Management recently implemented a process in which key contract compliance requirements and performance standards are identified for larger contracts and included in a quarterly monitoring checklist. This checklist is used by departments responsible for monitoring the contracts to ensure compliance with contract terms and adequate vendor performance. Insufficient monitoring of contract terms can increase the risk of vendor compliance and performance issues which could negatively impact university finances and operations.

**Recommendation**

Address the areas of non-compliance with contract terms identified above. Continue to implement the use of checklists to provide additional monitoring of all significant contracts for compliance and adequate vendor performance.

**Management’s Response**

The university will address each of the areas identified above to ensure compliance with contract terms. Some items, such as the professional liability insurance and field operator license requirements, have already been addressed. The contract monitoring form, that is distributed and reviewed quarterly by the Contract Office, will be further developed to periodically test within a one-year period for the majority of the contract terms on major contracts. Testing will include requesting samples of documentation to support actions being taken. The monitoring form will be distributed to responsible contract administrators, and will be monitored for timely completion. Additionally, contract administrator training is being developed specifically for departmental contract administrators to provide clear and consistent contract monitoring requirements and expectations.

*Implementation Date: August 31, 2016*
2. **Contract Database**

The university’s contract database does not contain all of the necessary information to facilitate monitoring of university contracts by the Contract Office. Instances were noted in which information in the university's contract database was incorrect or incomplete for several of the above contracts as well as departments and vendors reviewed. This included information such as contract dates, descriptions, amounts, administrators, and the contracting departments.

The database is used primarily for higher level oversight of contracts rather than detailed tracking of financial amounts or other specific contract terms. As a result, the accuracy and completeness of some information being captured is not as important as other information. There has been no formal assessment of which information is important given the current use of the database.

When populated with accurate and complete information, the contract database will help the Contract Office assess risk to the university as well as ensure contracts are appropriately reviewed and that management exercises its fiduciary responsibilities when executing contracts on behalf of the university. In addition, the database will enhance the ability to manage upcoming contract expiration dates.

**Recommendation**

Determine the contract information needed to facilitate oversight by the Contract Office such as assessing the risk of each contract, implementing corresponding monitoring and controls to mitigate this risk, and tracking contract renewal dates. Update the university's contract database to ensure all important contract information is properly included and accurately maintained.

**Management’s Response**

The Contract Office is reviewing contract data to determine the information most useful in identifying, monitoring and overseeing contracts, and will identify the critical fields within the contract database to capture the identified information. A process will be established to monitor and ensure accurate information is recorded in the identified critical fields. The Contract Office is researching options to purchase an upgraded version of the existing database or to implement a new and improved database that will provide enhanced functionality to better support the contract monitoring process.

*Implementation Date: August 31, 2016*
Basis of Review

Objective and Scope

The overall objective of this audit was to review processes for approving and monitoring contracts at the university and determine compliance with laws, policies, regulations and selected contract terms. Contract terms reviewed included those related to contract revenue, contract payments, insurance requirements, operating guidelines, financial reporting, and various vendor performance requirements.

The contracts reviewed included American Campus Ltd. for building and managing student housing; Ellucian Technology Management Services for information technology management and operation services; Severn Trent Environmental Services for maintenance and operation of the water system and waste water treatment facilities; SSC Building, Landscape and Custodial Services for performing facilities services for the university; Follett Campus Bookstore Services for operating the bookstore on campus and online; Sodexo Dining Services for managing and operating food services; and Pepsi Beverages Company for providing vending services to the university. The audit period focused primarily on activities from September 1, 2014 to August 31, 2015. Fieldwork was conducted from October to December 2015.

Methodology

Our review methodology included interviews, observation of processes, review of documentation, and testing of data using sampling as follows:

- To determine if selected contract terms were in compliance with contract requirements, auditors used professional judgment to select a nonstatistical sample of seven contracts that had the greatest magnitude or risk to the university based on the stated or implied contract amount and assessed risk by university contract management. This included contracts related to campus housing, information technology services, facilities services, waste water services, bookstore, dining and vending services.

- To determine if selected departments had adequate contract monitoring processes in place, auditors used professional judgment to select a nonstatistical sample of five departments with the greatest number of contracts and perceived risk by university contract management.
Criteria

Our audit was based upon standards as set forth in the Texas A&M University System Policies and Regulations; Prairie View A&M University administrative procedures and rules; stated contract stipulations; 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 UNIVERSITY

Review of Emergency Notification Systems

March 10, 2016

Charlie Hrncir, C.P.A.
Chief Auditor

Project #20150209
Overall Conclusion

Texas A&M University has established methods for communicating with employees, students, clientele and the general public in the event of an emergency. Overall, the administration of emergency notification systems provides assurance that these systems are substantially compliant with applicable laws, policies, regulations, and rules.

As mandated by federal and state law, each institution of higher education is required to immediately notify the campus community upon confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on campus.

Texas A&M University encompasses a number of campus locations. Locations include the main campus in College Station and the branch campuses of Texas A&M University at Galveston and Texas A&M University at Qatar. The university’s Health Science Center operates in several locations including Bryan, College Station, Dallas, Houston, Kingsville, McAllen, Round Rock, and Temple. The School of Law and Mays Business School at CityCentre are located in Fort Worth and Houston, respectively.

Basis of Review

Objective and Scope

The overall objective of this audit was to review and assess emergency notification systems to determine if the systems are in compliance with applicable laws, policies, regulations, and rules.

The review of emergency notification systems at Texas A&M University focused on system notification and enrollment methods, system testing and user training, emergency management plans to the extent that an emergency notification method was included, and system vendor contracts. The audit period focused primarily on activities from August 1, 2014 to July 31, 2015. Fieldwork was conducted from August to November, 2015.
Methodology

Our review methodology included interviews, observation of processes, and review of documentation.

Criteria

Our audit was based upon standards as set forth in Texas A&M University System Policies and Regulations; the United States Education Code; the Texas Education 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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