The Texas A&M University System Internal Audit Department

SECOND QUARTER REPORT
FISCAL YEAR 2011

March 10, 2011
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Second Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY

Review of Non-Faculty Hiring Processes

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

Overview

Controls established over the non-faculty hiring processes at Texas A&M University need significant improvement in order to provide reasonable assurance that qualified applicants are hired and that the University is operating in compliance with applicable laws, policies, regulations and rules. Improvements need to be made in the verification of applicants’ job-related credentials and the administration of the University’s “exception to the hire” process. In addition, the University needs to ensure that the results of the hiring interview process are documented.

The University’s hiring function for non-faculty is decentralized to approximately 160 departments university-wide. There are approximately 340 human resources liaisons providing human resources functions to the departments across campus. The University’s Office of Human Resources provides support in the form of liaison and employee training, liaison network meetings, online information, toolkits and templates, and reminders to others regarding human resources topics.

Summary of Significant Results

Verification of Non-Faculty Job-Related Credentials

The University is not consistently verifying job-related credentials of non-faculty job applicants as required by System regulation. Job-related credentials not verified include educational degrees and military experience. Failure to verify job-related credentials can lead to applicants being hired or employees promoted into positions for which they do not meet the qualifications or do not possess the background they have indicated. During the course of the audit, the University put new processes in place to verify applicant degrees.
Exceptions to the Non-Faculty Hiring Process

The University’s “exception to the hire” process is ineffective in ensuring that adequate hiring procedures and controls are followed. In some instances, the appropriate vice president had not approved the “exception to the hire” prior to the applicant being hired. A review of hiring exceptions during fiscal year 2010 resulted in certain cases where job vacancies were not posted as required by law, job-related credentials were not verified, and criminal background checks not performed. A majority of the exceptions to the hiring process were related to promotions or transfers that may not need to go through the entire hiring process. The use of an “exception to the hire” process increases the University’s risk for an ineffective and inefficient hiring process.

Summary of Management’s Response

The University’s Office of Human Resources has reviewed the audit findings and concurs with recommendations for improvements to the non-faculty hiring process. The process to verify applicant degrees has already been implemented. Efforts are currently underway to develop and document hiring rules and procedures for filling positions through transfers and promotions to reduce the need for exceptions and define a more effective “exception to hire” process.

Scope

The review of hiring processes at Texas A&M University focused on the processes, procedures, and practices in place to hire qualified non-faculty employees, including research-related positions, for the period September 1, 2009 through June 30, 2010. Fieldwork was conducted from July to November, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Verification of Non-Faculty Job-Related Credentials

Observation

The University is not consistently verifying applicants’ degrees listed on their employment application. For 41 out of 44 (93%) new hires tested whose applications showed they had a degree, there was no evidence that the degree listed in the application was verified either at the hiring department or Human Resources. System Regulation 33.99.01, Employment Practices, states that “the hiring supervisor or other appropriate person should verify references, previous employment and other job-related credentials before an offer of employment is made.” University Rule 33.99.01.M1, Hiring Rules for Non-Faculty Positions, has not been updated to require departments and/or Human Resources to verify degrees or other job-related credentials as part of the hiring process. If degrees are not verified, applicants may be hired or employees promoted into positions for which they do not meet the qualifications.

The University is also not consistently verifying an applicant’s military service. In some instances, preference can be given to veterans with qualifying experience if it is requested by the applicant. For 28 out of 29 (97%) employees who were hired that listed military experience on their application, there was no evidence that military service was verified. Texas Government Code Section 657 spells out the circumstances in which applicants shall be given preference in hiring based on veteran’s status. University rules do not address the issue of veteran’s preference or the verification of an applicant’s military service. This increases the risk that the University may be hiring individuals that do not have the military service reported on their application.

During fieldwork, University Human Resources put new processes in place to verify applicant degrees.

Recommendation

Revise University rules to require verification of job-related credentials, including college degrees and military service, as part of the hiring process.
### Management’s Response

<table>
<thead>
<tr>
<th>1. Verification of Non-Faculty Job-Related Credentials (cont.)</th>
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<tbody>
<tr>
<td>Human Resources will revise University Rule 33.99.01.M1, Hiring Rules for Non-Faculty Positions, to add the requirement to verify job-related credentials, including college degrees and military service, as part of the hiring process. As noted, the University has already implemented a process to verify degrees. HR will revise any current documents required for processing the hire through HR to reflect such changes.</td>
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It is anticipated that revisions by the Texas A&M University System Offices to System Regulation 33.99.01, Employment Practices, will be approved and distributed by May 2011. Once the System regulation is revised, revisions to the University rule will be submitted within 90 days to University Risk and Compliance for the review and approval process. It is estimated that rule revisions will be submitted by August 31, 2011 with review and approval to be completed by November 30, 2011. All current forms and documents will also be updated by August 31, 2011.

### 2. Exceptions to the Non-Faculty Hiring Process

#### Observation

The current “exception to the hire” process is ineffective in ensuring compliance with state laws regarding the posting of vacant positions and can result in criminal background checks not being performed or credentials not being confirmed for new hires. Failure to post positions also limits the pool of applicants and does not ensure that the University is getting the most qualified applicant for the job.

During the audit period, 43 employees were hired, transferred or promoted into non-faculty positions without following the normal hiring process via exceptions approved by their respective vice presidents or equivalent. For 19 of the 43 (44%), the vice president approval was not obtained prior to the employee beginning work. Seven of the 43 (16%) employees were considered external applicants including 3 who were in wage positions at the time of their hire. All 43 of these positions were not posted and in 9 of 43 (21%) instances, new criminal background checks were not performed.

State Government Code section 656.001 and System Regulation 33.99.01 require the posting of positions when seeking external candidates. System Regulation 33.99.01 also spells out the situations when criminal background checks should be performed. It is a standard practice of Human Resources to perform updated...
2. Exceptions to the Non-Faculty Hiring Process (cont.)

criminal background checks on employees hired through the exception to the hire process. University Rule 33.99.01.M1 allows exceptions to the normal hiring process if approved by a vice president. However, all external postings must follow state law and be posted with the Texas Workforce Commission.

Vice presidents approving the exceptions may not always be aware of the applicable hiring processes and which hiring activities cannot be exempted. Vice presidents may also not be the hiring supervisor and therefore not be aware of when job offers are being extended within their departments.

The University rule governing promotions and transfers may be too restrictive leading to departments seeking exceptions to the hiring process when such exceptions may not be needed. University Rule 31.01.01.M7, Employee Compensation Administration, states that new hires, transfers and promotions should go through the entire hiring process. Developing procedures for promotions and transfers that allow for flexibility in the process while still maintaining compliance with applicable laws, policies and regulations could eliminate the need for the exception to the hire process altogether.

Recommendation

Ensure that all positions open to external applicants are posted in accordance with the Texas Government Code. Develop and document hiring rules and procedures for filling positions through transfers and promotions to reduce or eliminate the need for exceptions. Hiring procedures should include required items such as verification of job-related credentials, completion of a background investigation, completion of reference checks, and delivery of a hiring certificate.

If exceptions are required, they should be reviewed and approved by Human Resources to determine if the exception is appropriate prior to the hire being made. University Rule 33.99.01.M1 should be modified to reflect these changes.

Management’s Response

Human Resources will revise University Rule 33.99.01.M1, Hiring Rules for Non-Faculty Positions, to add the requirement to verify job-related credentials, including college degrees and military service; specific language on posting requirements for those vacancies open to external applicants to ensure compliance with the Texas Government Code; and include the requirement that all exceptions must be approved by Human Resources to determine if the exception is appropriate prior to the hire being made. Human
2. Exceptions to the Non-Faculty Hiring Process (cont.)

Results of the interview process are not always documented.

Resources will communicate the changes to processes and requirements as noted.

It is anticipated that revisions by the Texas A&M University System Offices to System Regulation 33.99.01, Employment Practices, will be approved and distributed by May 2011. Once the System regulation is revised, revisions to the University rule will be submitted within 90 days to University Risk and Compliance for the review and approval process. It is estimated that rule revisions will be submitted by August 31, 2011 with review and approval to be completed by November 30, 2011.

Human Resources will revise University Rule 31.01.01.M7, Employee Compensation Administration, to specify ways that positions can be filled through transfers and promotions, as allowed under System regulations, lessening the need for the exception to hire process. These changes will be submitted to University Risk and Compliance by August 31, 2011 with the review and approval process expected to be completed by November 30, 2011.

3. Interview Documentation

Observation

For 8 of 66 (12%) non-faculty hiring files reviewed, copies of notes for all applicants interviewed were not maintained and in some cases it was difficult to determine which applicants were interviewed. For 4 of 66 (6%) hiring files reviewed, there were no ratings or score on the hiring matrix associated with the interviews conducted. Without properly documenting the interview questions, answers, and score, the University is unable to prove that the hiring process was followed and that all interviewees were treated equally. Texas A&M University Rule 33.99.01.M1 states that University departments are responsible for retaining copies of applications, interview notes, and allied forms and correspondence for each position listed for a period of two years. Hiring departments certify that they have complied with this rule on the Hiring Process Compliance Checklist.

Because of the decentralized nature of the hiring process at the University, all documentation to support the hire is not consistently forwarded to Human Resources. Human Resources requires anyone who is responsible for making a hiring decision to take an online training class to ensure that hiring supervisors know how to effectively carry out the hiring process in accordance with laws, policies and rules. Human Resources monitors those involved in the hiring process to make sure they have completed training before a position can be posted. The training does not currently have to be repeated increasing the risk that those involved in the
3. Interview Documentation (cont.)

hiring process, especially hiring supervisors, may not stay current on their overall knowledge of the individual hiring procedures.

Recommendation

Human Resources should periodically review a sample of the hiring files maintained within the departments. For hiring supervisors who fail to maintain proper documentation in the departmental files, Human Resources should notify the supervisors’ next level manager to ensure that hiring procedures are followed.

During required training, stress the importance of documenting the results of the interview process. This training should be retaken on a periodic basis by all employees involved in the hiring process.

Management’s Response

Human Resources will develop a process for periodically identifying and reviewing a sample of the hiring files maintained within University departments. The process will include a departmental management notification feature in the case of failure to maintain proper documentation. This process will be developed and implemented by August 31, 2011.

Human Resources will change the current online training requirement for hiring supervisors to require the course be retaken on a periodic basis. We propose every two years to conform to other System-required training. We will implement this requirement by August 31, 2011.

We will also expand the discussion and emphasis of the interview documentation process in all other training and materials provided for departments on the hiring process by August 31, 2011.
BASIS OF REVIEW

Objective

The audit objective was to determine the extent to which the current hiring processes for non-faculty employees are in compliance with applicable laws, policies, regulations and rules, and to ensure that quality candidates with appropriate credentials are hired in an effective and efficient manner.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The University’s hiring function for non-faculty is decentralized to approximately 160 departments university-wide. There are approximately 340 human resources liaisons providing human resources functions to the departments across campus. The University employs approximately 8,900 budgeted staff and graduate assistants and approximately 1,500 wage staff. During the audit period, 780 staff and research positions were filled as a result of the hiring process. The University’s Office of Human Resources provides support in the form of liaison and employee training, liaison network meetings, online information, toolkits and templates, and reminders to others regarding human resources topics.
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TEXAS A&M INTERNATIONAL UNIVERSITY

Review of Human Resources

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Project #20111601
PROJECT SUMMARY

Overview

Overall, Texas A&M International University has processes and controls in place to provide reasonable assurance that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations, and rules except for its hiring and termination processes. Significant improvements need to be made in the documentation of hiring decisions and in the timely cancellation of access to information systems for terminating employees.

Opportunities for improvement were also identified in the areas of access to human resources information systems and documented human resources procedures.

Summary of Significant Results

Hiring Documentation

Employee hiring files did not contain the appropriate information to support the selection of the employee hired. Various hiring file documentation was lacking including verification of educational degrees, reference checks, interview questions and responses, and applicant ratings or scores. Weaknesses noted in documentation to support hiring decisions increases the risk that the University cannot demonstrate that the best qualified candidate for the position is hired and that the hiring decision is supported and well documented.
Termination

Employee termination processes do not ensure timely removal of access to information systems for compliance with applicable laws, policies and regulations. Limited guidance and lack of monitoring employee terminations increases the risk that access to information systems is not terminated timely, thus, increasing the risk of unauthorized access to information systems by former employees.

Summary of Management's Response

The University will be developing documentation requirements and training hiring committee participants to ensure hiring decisions can be justified. Additionally, the University will implement a process to ensure information system access is removed upon employee separation.

Scope

The review focused on University human resources processes for the period of October 1, 2009 through September 30, 2010. Areas reviewed included hiring, state-mandated training, performance evaluations, terminations, and grievance processes. Audit tests did not include faculty with the exception of required training and termination procedures. Fieldwork was conducted from November 2010 to January 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Hiring Documentation

Observation

Hiring files did not contain the appropriate information to support the selection of the employee hired and demonstrate that the best qualified candidate was selected in an objective and unbiased evaluation of the candidates’ knowledge, skills, education, abilities, and experience. For the hiring files reviewed, 25 of 26 (96%) had incomplete documentation (some had multiple exceptions):

- Twenty-three did not have documentation of interview questions and responses.
- Twelve did not have documentation of degree verifications.
- Twenty-five did not have documentation of reference checks.
- Twenty-three did not have documentation of applicant ratings or scores.

Hiring file documentation requirements have not been established by the University to support hiring process activities. A&M System Regulation 33.99.04 requires that employment decisions be based on job-related factors such as education, experience, knowledge, skills, abilities, license/certification requirements, results of reference checks, and success in previous employment. Supervisors had not attended hiring process training and were not aware of System hiring documentation requirements. Documentation requirements such as completing reference checks and degree verifications provide corroborative evidence of the applicant’s expertise, accomplishments, and character. Properly completing the hiring process, including documentation requirements, also reduces the risk that supervisors will make poor decisions and not hire the most qualified applicant.

Recommendation

Establish documentation requirements to ensure that hiring files contain appropriate information to demonstrate qualified candidates are selected in compliance with System regulations. Require hiring
1. Hiring Documentation (cont.)

Improvements are needed in the timely removal of terminated employees’ access to information systems.

supervisors to periodically attend training to ensure documentation is completed and properly retained.

Management’s Response

By August 31, 2011, a process will be implemented for the collection and review of documentation supporting the hiring process (i.e., interview questions, degree verification, reference checks, applicant rating) by Human Resources.

By May 31, 2011, all hiring supervisors (administrators and faculty) will be required to complete the A&M System online training, “Effective Hiring Practices,” which covers how to hire effectively and fairly, prepare/update position descriptions, post vacancies, develop interview questions, conduct interviews, and check references. The online training will be required every 2 years thereafter.

2. Terminations

Observation

The University’s employee termination process did not provide timely removal of employee access to information systems and cancellation of employee identification cards. Twenty-two of 30 (73%) terminated employee files reviewed did not have employee access to information systems removed timely. In some cases, employee access was not removed for several months after termination. Exceptions included the following (some employees had multiple exceptions):

- Fourteen employees did not have computer access to the active directory removed timely, taking between 8 and 74 days to remove access.

- Ten employees did not have access to TAMIU Works, the employee management system, removed timely, taking between 8 and 383 days to remove access.

- Three employees did not have their University ID card deactivated timely, taking between 59 and 382 days to deactivate the cards. While the ID cards for these three employees were used for identification only, some ID cards are used for building access and other purposes.

The University’s employee termination process includes notification of departments with responsibility for these information systems; however, the process does not include verification from the
2. Terminations (cont.)

TAMIU Works lacks supervisor review of employee access. departments when access has been removed. In addition, temporary and part-time employees are not included in the standard employee termination process. Therefore, there is no assurance that necessary steps in the termination process have been completed for these employees. Without standardized processes for all employees that include verification that termination steps have been completed, the risk is increased that terminated individuals may use University assets inappropriately or access systems and locations without authorization.

Recommendation

Ensure access to information systems and employee identification cards are canceled when the employee terminates and monitor to ensure timely cancellation. Require verification from the responsible departments of access termination before the exit process is completed.

Management's Response

By August 31, 2011, a procedure will be implemented to collect verification from responsible departments (HR, OIT, and Card Services) that access to information systems (active directory, TAMIU Works) and ID cards is deactivated in a timely manner.

3. Human Resources Information Systems

Observation

There is a lack of supervisor review of employee access to TAMIU Works to ensure staff have access to this confidential information only to the extent necessary to do their job. Human Resources does not provide employee account profiles in TAMIU Works to supervisors throughout the University for periodic review to ensure that employee access is in agreement with their current job responsibilities. It was also noted that all employees in Human Resources have access to create user accounts in TAMIU Works. Different user profiles had not been created for the different job responsibilities within Human Resources. Texas Administrative Code Chapter 202, Subchapter B, Rule 202.75, Information Resources Security Safeguards requires management of information resources to ensure authorized use. Monitoring of account profiles is a control that ensures users have appropriate account access for their job duties and decreases the risk of unauthorized access to confidential information.
3. Human Resources Information Systems (cont.)

**Recommendation**

Establish a process to ensure employee account profiles in TAMIU Works are reviewed by the employee’s supervisor at least annually to determine if account access is appropriate for the employee. Ensure the ability to create and approve account profiles in TAMIU Works is limited only to those with the responsibility to create and approve accounts.

**Management’s Response**

*By May 31, 2011, department heads will be required to review and verify the “User Types” assigned to their employees in TAMIU Works to ensure the assigned “User Types” are still valid based on the employees’ current job responsibilities. This process will be completed annually thereafter.*

4. Human Resources Procedures

**Observation**

There is a lack of current comprehensive documented procedures for various functions within the Office of Human Resources such as terminations, grievances and monitoring of staff evaluations. Human Resources had not emphasized the importance of documented procedures for various functions within their department. Additionally, the University rule for non-faculty employee grievances (32.01.02.L1) was not compliant with the System regulation (32.01.02). The System regulation was updated in July 2010 and the University has not yet updated their rule to agree with changes in the regulation. Without current documented procedures the risk is increased that important procedures and guidelines will be bypassed, incompletely performed, or inappropriately handled. Documented procedures also assist with training and continuity should employee turnover occur.

**Recommendation**

Establish documented procedures for processes within the Office of Human Resources. Update the current University rule for grievances for compliance with the System regulation.

**Management’s Response**

*By August 31, 2011, documented procedures for the following processes within the Human Resources Office will be established:*
4. Human Resources
   Procedures (cont.)

(1) terminations, (2) grievances, and (3) monitoring of staff evaluations. Additionally by August 31, 2011, TAMIU Rule 32.01.02.L1, Complaint and Appeal Process for Non-Faculty Employees, will be updated to be compliant with System Regulation 32.01.02, Complaint and Appeal Process for Non-Faculty Employees.
BASIS OF REVIEW

Objective

The overall objective of the audit was to analyze the University’s management processes for human resources to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner and to determine compliance with laws, policies, regulations, and rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Texas A&M International University Office of Human Resources reports to the Associate Vice President for Administration and falls under the Division of Finance and Administration. Human resources functions are centrally performed and monitored by the Office of Human Resources to ensure compliance with policies, regulations, rules and procedures.

At the time of the review, the University had a total of 1,277 active faculty, staff, and student workers. The combined salaries, wages and benefits for fiscal year 2010 totaled approximately $49.2 million.
THE TEXAS A&M UNIVERSITY SYSTEM

Review of the
Office of Technology Commercialization

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

Overview

The management processes at the Texas A&M University System’s Office of Technology Commercialization (OTC) provide reasonable assurance that resources are used in an efficient and effective manner and in compliance with laws, policies, regulations and procedures, except in the area of revenue management. OTC’s current revenue management processes do not ensure completeness and accuracy of royalty revenue information and that licenses are billed for all royalties earned by the A&M System members. Additionally, OTC’s current accounts receivable collection processes do not ensure that it is collecting receivables in a timely manner and that individual account balances are fairly stated. Opportunities for improvement exist in regard to compliance with the Prompt Payment Act for the System’s outside attorney invoice payments. Discussions with key customers indicated that OTC management has made great strides in the quality, accountability and transparency of its processes in the last few years.

Summary of Significant Results

Revenue Management

It is difficult to determine if all A&M System royalty revenues are received, complete and accurate because of a high level of outstanding “requests for royalties” and a lack of monitoring over royalty revenues billed and collected by a third party, Texas Foundation Seed Service (TFSS). Forty-one percent (11 out of 27) of the requests for royalties reviewed had not been completed and returned by the licensee. For those licensees that had fulfilled OTC’s requests for royalties, 29% (4 out of 14) of them had not submitted the checks in a timely manner in accordance with the license agreement.

OTC does not monitor its accounts receivables to ensure that it is collecting accounts receivables in a timely manner. Past due letters for 38% (11 out of 29) of the past due accounts reviewed
were not sent at all as required by the state and A&M System requirements. An additional 38% of the past due accounts reviewed were not sent timely.

In addition, accounts receivable balances are misstated because management has not written off uncollectible debts. OTC’s recorded accounts receivable balances as of August 31, 2010 amounted to approximately $4.6 million, of which $3.8 million were over 90 days old and $1.0 million was over three years old.

### Summary of Management’s Response

The OTC is pleased to see that efforts to improve quality of service, outcomes, accountability, and transparency have been recognized by our key customers. Direct feedback from key customers reflecting increased confidence in OTC, our personnel, and our processes is a welcome finding. However, all organizations can improve, and the audit identifies areas where the OTC can and will improve.

Since the audit period, the OTC has increased focus on ensuring that all invoices are billed and collected and that overdue accounts are put through OTC’s process for collecting aged receivables and referred to OGC when collection efforts are not successful. Additionally, OTC will work with AgriLife Research to develop and implement reporting responsibilities of the Texas Foundation Seed Service as they work with OTC in servicing seed licensees. Further, OTC will review the process of attorney invoice approvals with System’s Office of Budgets and Accounting and ensure that all slack is out of the attorney invoice review and payment process to improve our performance in this area.

### Scope

The review of the Office of Technology Commercialization operations focused on the areas of governance, royalty revenue management, license administration and customer service. The audit reviewed transactions and activities from September 1, 2009 to August 31, 2010. Fieldwork was conducted from October to November, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Revenue Management

1.1 Billing for Royalty Revenues

Observation

 Royalty billing processes do not ensure completeness and accuracy of information, and compliance with contract requirements.

It is difficult to determine if all A&M System royalty revenues are received, complete and accurate because of a high level of outstanding “requests for royalties” and a lack of monitoring over royalty revenues billed and collected by a third party, Texas Foundation Seed Service (TFSS).

Forty-one percent (11 out of 27) of the requests for royalties reviewed have not been completed and returned by the licensee. In addition, for 10% of the (2 out of 21) license agreements tested, there is no evidence that OTC sent out requests for royalties. The license agreement requires the licensee to return a completed request for royalty form, even in situations where the licensee has not had any sales. For those licensees that had fulfilled OTC’s requests for royalties, 29% (4 out of 14) of them had not submitted the checks in a timely manner in accordance with the license agreement. The lack of follow-up on outstanding requests for royalties elevates the risk of licensees not remitting royalty revenues earned and not responding to future requests. These issues were mainly due to OTC’s lack of monitoring to ensure all requests for royalties are sent out to all relevant licensees, that the requests are completed by the licensee and returned to OTC, and that the corresponding royalty revenues are submitted to OTC in a timely manner.

Six out of the eleven exceptions noted above were related to TFSS, which is managed by Texas AgriLife Research. By agreement with AgriLife, TFSS invoices licensees of certain AgriLife seed technologies and collects the royalties on behalf of OTC. OTC outsources the billing and collection of seed variety royalties to TFSS through an informal agreement, dated June 25, 2002, and has not been managing the contract with TFSS to ensure royalty revenues submitted by TFSS are reasonable and timely. TFSS collected $1.4 million out of OTC’s total royalty revenue collections of $8.3 million. The above issues elevate the risk that the A&M System is not receiving all earned seed variety royalties. OTC management indicated that it has not performed monitoring of TFSS’
portion of the billing process partly due to the lack of a specific
reporting requirement in the agreement.

Recommendation

Implement a review and monitoring process to ensure all requests
for royalties are sent for applicable licenses and that all requests for
information and royalties are returned to OTC in a timely manner.

Work with the AgriLife Research and TFSS to develop an
agreement that provides OTC with the information it needs to fulfill
its responsibilities for the A&M System.

Management’s Response

Since the audit period, OTC has increased focus on the invoicing
process and follow-up with licensees. OTC will add additional
accounting staff by the end of the third quarter fiscal year 2011 to
ensure that OTC processes for invoicing and follow-up with all
licensees is carried out in a timely and complete manner.

OTC will work with AgriLife Research and TFSS to ensure that
proper transparency and reporting is done when the TFSS is
assisting OTC in servicing existing licensees. This will enable OTC
and AgriLife Research to successfully manage and report on all
licenses managed by the TFSS. This will take place by the end of
March 2011.

1.2 Accounts Receivable

Observation

OTC does not monitor its accounts receivable processes to ensure
that it is collecting accounts receivables in a timely manner. Past
due letters for 38% (11 out of 29) of the past due accounts reviewed
were not sent as required by the state and A&M System
requirements. An additional 38% of the past due accounts reviewed
were not sent timely. For all (6 out of 6) past due accounts
receivables whose contracts have been terminated, management
had not placed the account on the state’s warrant hold list, as
required by A&M System regulations. Of these six past due
accounts, 33% (2 of 6) were not referred to A&M System’s Office of
General Counsel for collection, as required by OTC procedures.

In addition, accounts receivable balances are misstated because
management has not written off uncollectible debts. OTC’s
recorded accounts receivable balances as of August 31, 2010
1.2 Accounts Receivable (cont.)

amounted to approximately $4.6 million, of which $3.8 million were over 90 days old. Over $1 million of the balances ranged from three to seven years old. Most of these accounts are not collectible due to either termination of relevant license agreements or the licensee companies closing down. Management indicated that OTC’s procedures have not been implemented due to inadequate staffing.

Recommendation

Develop a monitoring process to ensure that accounts receivables are collected in a timely manner, accurately recorded, and in compliance with A&M System requirements. Review the need for additional resources in this area.

Management’s Response

Since the audit period, OTC has increased the focus on past due accounts receivable and fully implementing the accounts receivable process. OTC has worked with the System Office of General Counsel (OGC) to refine our process for referring uncollected debts to OGC and ultimately the Attorney General if necessary. Recent meetings with OGC have resulted in the development of new processes that will facilitate the collections process. OTC has also refined our write-off process with OGC. OTC will add additional accounting staff by the end of the third quarter fiscal year 2011 to ensure that OTC procedures for collecting all accounts receivable and processing collections and write-offs are implemented.

2. Outside Attorney Invoice Payment Process

Observation

The outside attorney invoice payment process requires further improvement.

While the average processing times for outside attorney invoices has improved over the last five years from 120 to approximately 45 days, for fiscal year 2010, 53% (1,200 out of 2,250) of outside counsel invoices were not paid timely. The Texas Prompt Payment Act requires that for any contract executed after August 31, 1987, a state agency's payment is due by the 30th calendar day after the later of the invoice or goods receipt date.

Not paying vouchers in a timely manner is an indication of poor voucher processing controls and increases the risk that the patent attorneys will be less willing to do business with the A&M System. Some parts of the process are still manual and require physically moving documents between OTC, A&M System’s Office of Budgets and Accounting, and Texas A&M University’s Financial...
Management Operations. The delay in processing is mainly due to the use of campus mail in transporting documents between these offices.

Recommendation

Streamline the outside attorney invoice payment process for improved compliance. Consider discontinuing the use of campus mail for transporting documents between the three offices.

Management’s Response

OTC will review the process of attorney invoice approvals with the System’s Office of Budgets and Accounting (SOBA) and ensure that all slack is out of the attorney invoice review and payment process to improve our performance in this area. OTC has already discontinued the use of campus mail to transmit attorney invoice communications between OTC, SOBA and TAMU Financial Management Operations. Attorney invoices are all being shared through electronic means now and this should speed up the payment response time. Towards this end, OTC’s processing time of records for attorney invoices are now being provided on a monthly basis to SOBA to help both offices measure their respective performance. OTC has implemented new contract terms with some licensees with large patent portfolios that will enable direct payment of patent expenses from the licensee to the law firm. This will reduce the total volume of attorney invoices that OTC will process and should enable OTC to improve on the turnaround time for payment as well.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the A&M System’s controls and processes related to the oversight and operations of the Office of Technology Commercialization to determine if resources are used in an efficient and effective manner and in compliance with laws, policies and regulations.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Office of the Technology Commercialization (OTC) was created in December 2005 to facilitate technology transfer for the A&M System. It is the mission of OTC to encourage broad practical application of System research for public benefit; to encourage and assist those associated with the System in the protection, licensing and commercialization of their discoveries; to ensure the equitable distribution of royalties and other monetary benefits resulting from the commercial application of intellectual property; and to see that commercialization activities benefit the research, education and outreach missions of the System into the future. OTC has approximately 24 staff and an annual budget of approximately $3.2 million. During fiscal year 2010, OTC processed 207 invention disclosures, issued 43 patents, executed 49 licenses and collected $8.3 million in royalty revenue.
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TEXAS A&M UNIVERSITY

Review of Business Continuity Planning

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

Project #20100226
PROJECT SUMMARY

A university-wide business continuity plan has not been implemented for Texas A&M University; however, a process is currently underway to develop and implement a university-wide plan with a target date for completion of August 31, 2011. Without a university-wide plan there is a greater risk that critical University functions that have been significantly interrupted due to a wide-scale disaster or other event may not be able to be restored or recovered in a timely manner. Localized disruptions of business operations on campus (i.e. loss of one or more buildings, etc.) can often be addressed within the University using available capacity and infrastructure. The University has also developed various crises and emergency operation plans over the past several years which take on some of the characteristics of a business continuity plan especially the University’s pandemic influenza response plan.

OBSERVATION, RECOMMENDATION, AND RESPONSE

University-wide Business Continuity Plan

Observation

Efforts have been made toward developing business continuity and disaster recovery plans within some departmental areas of the University such as the Division of Finance and the Computing and Information Services Department. However, there is currently no university-wide business continuity plan in place which limits the ability to fully implement the departmental plans due to their reliance on decisions made at the university-level such as assignment of University resources and overall priorities for recovery. In addition, although more localized disruptions of business operations on campus can be addressed by using available capacity and infrastructure, there is a greater risk that the University could not adequately recover business operations interrupted by more wide-scale disasters affecting a large portion of the campus.
The University’s Office of Safety and Security recently began developing a university-wide plan for continuity of operations as part of an overall emergency preparedness plan through a grant funded by the Department of Education in October 2009. The University has contracted with the Texas Engineering Extension Service to assist in developing the plan including providing technical assistance, holding planning workshops, developing departmental planning templates, and training employees. This process is still in its early stages with a target completion date of August 31, 2011. To date, a rough draft of a plan and departmental planning templates have been created. Prior to the recent initiative, the University had focused primarily on the safety aspects of a disaster through development of various university-wide crises and emergency operation plans which took on some of the characteristics of a business continuity plan. During the development of these plans, especially the pandemic influenza response plan, along with disaster-related events experienced by the University such as the evacuation of the University’s campus in Galveston in September 2008, it was determined by certain University and safety management personnel that a plan was needed which focused on business continuity for the University as a whole.

The National Association of College and University Business Officer’s College and University Business Administration indicates that institutions of higher education are becoming increasingly aware of the need for business continuity planning which includes development of a master response plan to document institution-wide priority actions, contact information, and availability of resources. It further states that the master plan should be widely distributed across the institution and that each department should develop its own specific plan of action, based on this master plan. Failure of an institution to recover and restore critical functions resulting from a disaster in a timely manner could result in damage to the University’s reputation as well as significant financial consequences due to interruptions to the academic schedule, failure of current research projects, or other unforeseen delays to the completion of critical activities.

Recommendation

Complete the development and implementation of a university-wide plan for continuity of operations. Ensure the plan contains all the necessary elements of the continuity planning model adopted by the University to effectively analyze, address, and test the recovery of critical operations of the University.
Ensure the plan is properly approved by the president or his designated representative and distributed to key personnel. Store a copy of the plan in an accessible offsite location.

Management's Response

Texas A&M University agrees that a university-wide continuity plan is needed to ensure that recovery of critical infrastructure and essential services are accomplished as efficiently and effectively as possible following a disaster. The institutional continuity plan currently being developed with the assistance of the Texas Engineering Extension Service will contain all necessary elements of continuity planning to effectively analyze, address, and test the recovery of critical operations of the University. Once completed, the plan will be approved by the president or designated representative and implemented including posting the plan on the University’s emergency preparedness website for ease of campus review. These actions will be completed by August 2011.
BASIS OF REVIEW

Objective and Scope

Review and assess the University’s processes for recovering and restoring critical functions that have been either partially or completely interrupted as the result of a disaster or other extended disruption. Also, determine that the University is in compliance with laws, policies, regulations, and rules relevant to business continuity planning. Fieldwork was conducted primarily from October to November 2010.

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 National Association of College and University Business Officer’s College and University Business Administration; and other sound administrative and industry practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The need for business continuity planning at institutions of higher education has continued to grow as evidenced by natural and other disasters over the past several years such as hurricanes Katrina, Rita, and Ike. Texas A&M University currently has a student enrollment of over 49,000 and over $580 million invested in research. The University also has two branch campuses, one in the Middle Eastern country of Qatar, and one in Galveston, Texas, which was evacuated during hurricane Ike in September 2008.

Potential disasters with the greatest likelihood of interrupting business operations at the University include large-scale facility damage and loss of power due to a hurricane, loss of one or more
campus buildings due to a fire or tornado, and widespread unavailability of personnel due to a pandemic influenza outbreak or an evacuation resulting from a hurricane or hazardous material release especially with railroad tracks intersecting the campus.

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TEXAS A&M UNIVERSITY

Review of Environmental Health & Safety Operations

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

Texas A&M University’s controls over environmental health and safety operations provide reasonable assurance that a safe environment exists for students, faculty, and staff and that the University is in compliance with relevant laws, policies, regulations, and rules. Additionally, the University has implemented all of the recommendations from our previous audit of environmental health and safety which was completed in September 2007. Improvements are needed to ensure that all students enrolled in lab courses with physical and chemical hazards have received appropriate safety training before being permitted into the respective teaching laboratory.

The environmental health and safety program at Texas A&M University falls under the primary responsibility of the Environmental Health and Safety Department. The mission of the department is to provide services that promote a healthy and safe environment for the University community. The Environmental Health and Safety Department has 43.5 full-time employees and a fiscal year 2010 operating budget of approximately $2.94 million.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Student Laboratory Safety Training Documentation

Observation

During the fall 2010 semester, 25,106 students were registered in lab courses which involved physical and chemical hazards. As of the fifth week of classes (September 29, 2010), approximately 10,906 (43%) students had not completed a signed student acknowledgment form to certify that they had received the appropriate safety information and instructions before being permitted into the teaching laboratory. Starting in the fall of 2010, the University transitioned from paper-based to electronic student laboratory training records using the Compass Student Information System. During the initial implementation of this new
Electronic-based documentation, a monitoring and follow-up process had not been fully established.

According to Texas A&M’s Hazard Communication Program, students enrolled in lab courses will receive appropriate safety information and instruction. In addition, Texas A&M’s Laboratory Safety Manual states that students who have not signed the safety acknowledgement form shall not be permitted in the laboratory. Student laboratory safety training is important as it helps to ensure that students understand the physical and chemical hazards in the laboratory. Documenting that students have been trained helps demonstrate the University’s commitment to lab safety.

Recommendation

Develop a process that ensures that students have taken the required training before they are permitted in the teaching laboratories.

Management’s Response

Texas A&M University acknowledges that the response rate for obtaining electronic lab safety acknowledgements from students enrolled in laboratory courses was inadequate for the fall 2010 semester. The conversion from a manual to electronic process did not allow sufficient time to inform faculty of changes prior to the beginning of the semester. The Executive Vice President andProvost will send a memorandum to the Deans explaining how the process has changed, the requirement for obtaining electronic signatures from students, and establishing a goal for compliance of 100%. At the beginning of each semester Environmental Health and Safety will coordinate the distribution of daily reports to the Deans which indicate the progress toward obtaining student signatures. Deans, through their department heads, will ensure that faculty members use the electronic system, monitor progress for obtaining student signatures, and take corrective actions as needed. These actions will be completed by November 2011.
BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review and assess the University’s controls and processes over environmental health and safety operations to ensure that they provide reasonable assurance that a safe environment exists for students, faculty, and staff. Also, to determine that the University is in compliance with laws, policies, regulations, and rules relevant to environmental health and safety. The review of controls and processes over the University’s environmental health and safety operations focused on the areas of fire and life safety inspections, laboratory and shop inspections, inspection reporting, safety training, hazardous chemical administration, hazardous waste administration, and regulatory compliance. Transactions and activities related to these areas were reviewed for the period September 1, 2009 through September 30, 2010. Fieldwork was conducted primarily from September 2010 through October 2010.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; The Texas Administrative Code; Texas A&M University Rules and procedures; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. This audit was performed in conformity with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The mission of the Environmental Health and Safety Department is to provide services that promote a healthy and safe environment for the University community. These services are designed to assist the University in achieving its teaching,
research, and service objectives with effective, efficient, and safe operations and compliance with applicable laws, regulations, policies, and standards. The department consists of the following six specialized safety areas each lead by a safety manager in that area: Hazardous Material Transportation and Agricultural Safety, Occupational Health & Industrial Hygiene, Occupational Safety, Environmental Management, Fire & Life Safety, and Radiological Safety.

The University classified 4,982 facility spaces as laboratories to the Texas Higher Education Coordinating Board as of fall 2010.
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Texas Transportation Institute

Review of Human Resources

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

Overall, the Texas Transportation Institute has processes and controls in place to provide reasonable assurance that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations and rules.

Opportunities for improvement exist in the Agency’s compliance with federal requirements regarding completion of the Form I-9, Employment Eligibility Verification, and the timeliness of removing terminated employees’ access to Agency resources.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Form I-9 Completion

Observation

New hire processing does not ensure compliance with Form I-9 requirements.

Form I-9s were not completed in full within three days for 14% (2 out of 14) of the new hire files reviewed. One of the Form I-9s had not been signed by the Human Resources representative. Both of the Form I-9s did not have a processing date. Department of Homeland Security, US Citizenship and Immigration Services’ Instructions OMB No. 1615-0047 states that “Employers must sign and date the certification in Section 2” and “Employers must complete Section 2 by examining evidence of identity and employment eligibility within three (3) business days of the date employment begins.”

Noncompliance with the I-9 requirements elevates the Agency’s risk of being levied civil and criminal penalties according to the Immigration and Reform Control Act of 1986. Management indicated that in both cases the Human Resources representative had verified employment eligibility via the federal electronic
Improvements to the employee termination check-out process are needed to ensure the return of Agency property and timely termination of employee access to Agency information systems.

The employee termination process does not ensure Agency assets are returned and access to information systems is removed in a timely manner. For 15% (2 out of 13) of the voluntary terminations reviewed, employee check-out processing was not completed timely. The check-out processing checklists for these two cases were completed 52 and 62 days, respectively, after their last day at work. This elevates the risk that terminated employees retain use of Agency assets and access to information systems. Management indicated this was partly because human resources management did not have a process for individual departments to confirm the completion of their respective check-out processing tasks. In addition, management indicated it is in the process of implementing a monitoring process including electronic routing of the termination checklist. Management expects the electronic routing of the checklist to enhance both the timeliness of check-out processing and Human Resources compliance monitoring.

Recommendation

Improve the timeliness of the check-out process and the effectiveness of compliance monitoring to ensure that access to
information systems and return of assets occurs on the last day of work for all terminated employees.

**Management’s Response**

TTI recognizes the need for improvement of the employee termination process. An improved termination notification process has been developed, and the Agency is in the process of implementing an electronic termination notification system that will allow us to monitor the completion of the process, and thus ensure that terminated employee’s access to Agency resources is removed in a timely manner. Full implementation of this electronic termination notification system should be realized by March 1, 2011.
BASIS OF REVIEW

Objective and Scope

The audit objective was to review the Agency's management processes over human resources to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner and in compliance with laws, policies, regulations, and Agency rules. The review focused on hiring, performance evaluations, terminations and training processes for the period September 1, 2009 to August 31, 2010. Fieldwork was conducted in November and December, 2010.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing."

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

Background

Texas Transportation Institute’s Human Resources Office has seven employees. The Human Resources Office aims to “to provide information and guidance to all employees with regard to employment, benefits, payroll, policies, compliance and other human resources issues.”

Texas Transportation Institute has over 600 employees and an annual budget of approximately $57 million.
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Second Quarter Report, Fiscal Year 2011

TEXAS TRANSPORTATION INSTITUTE

Review for ISO Accreditation

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

The Texas Transportation Institute’s Proving Ground’s Research Facility testing documentation is in compliance with its quality management system developed to comply with testing services identified in the International Standard ISO 17025. Overall, it appears the Agency management system developed to document policies, systems, programs, procedures and instructions to assure the quality of tests and results is compliant with ISO 17025. Opportunities for improvement were identified during this review to enhance the documentation of the testing process to ensure that the testing procedures are consistently recorded on the required forms of the quality management system. These opportunities are discussed below.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Project Test File Documentation

Observation

Four of fifteen (27%) project test files reviewed were missing one or more of the required forms from the Quality Procedures Manual, including the Quality Data Sheet (QDS) 4.3.1 (Chain of Custody), the Quality Policy Form (QPF) 4.7.2.1 (Project Communication Log), and the QPF 5.10.1 (Report Tracking). Project engineers were not consistently submitting completed forms to the data collection supervisor. Inconsistent documentation of testing procedures increases the risk that the testing program is not being performed in accordance with the ISO 17025 requirements.

Recommendation

Consider inserting a numerically-based form index into the front of each project file folder that lists the required forms (by form number) for each of the four test types (crash, bogie, pendulum, and static). This index would assist with monitoring the
completeness of forms for each test type, as well as retrieval and review of project files by other personnel.

Management’s Response

We agree with the recommendation and are in the process of preparing the recommended numerically-based form index. The form index will be added to the front of each project file folder and will identify the required forms (by form number) for each of the four test types (crash, bogie, pendulum, and static).

Implementation Date – February 1, 2011.

2. Project Test Quality Survey Form

Observation

Nine of fifteen (60%) project test files did not include space for an identifiable project test name or number on the QPF 4.7.2.2 (Quality Survey) form. Without an appropriate project identification name or number it is difficult to track the testing process associated with individual projects and could bring into question compliance issues with ISO 17025 requirements.

Recommendation

Revise the QPF 4.7.2.2 (Quality Survey) form to include the Proving Grounds project test number or other identifiable information.

Management’s Response

We agree with the recommendation and are in the process of revising form QPF 4.7.2.2 to include the project test name and number.

Implementation Date – January 3, 2011.
BASIS OF REVIEW

Objective and Scope

Review the Texas Transportation Institute's Proving Grounds quality assurance program, including testing procedures, for ISO 17025 accreditation purposes. Our review of the Proving Ground's management system and testing activities focused on compliance with the Agency's quality management system testing procedures and International Standard ISO 17025 General Requirements for the Competence of Testing and Calibration Laboratories requirements. Activities and documentation related to these tests were reviewed for the period November 7, 2009 through August 31, 2010. The review was conducted in October and November 2010.

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.” The requirements of ISO 17025 were also used as criteria for this review.

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

Background

The Texas Transportation Institute has been in existence since 1950, and during this time has partnered with universities, communities, and industries to address a broad range of transportation issues. The Agency Proving Grounds and Research Facility conducts testing procedures in accordance with ISO 17025 standards, and must go through an external accreditation process periodically to recognize their compliance status with ISO 17025. This review is a part of this process.
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TEXAS AGRILIFE EXTENSION SERVICE

Review of Strategic Planning and Performance Measures

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

Project #20110701
PROJECT SUMMARY

The controls established over the strategic planning processes for the development and monitoring of performance measures used for decision-making at the Texas AgriLife Extension Service are effective in providing reasonable assurance that the information is complete, reliable and accurate. The strategic planning process for the organization encompasses diverse needs identified across the state. The process begins with target audiences and collaborators throughout the state providing information which is considered when formulating programmatic imperatives. Goals and performance measures are then established to determine the extent to which imperatives have been met.

The Agency has developed and implemented an information system, the Texas Accountability System, to provide a vehicle to support the reporting and monitoring of all imperatives developed to meet the strategic plan. The Texas Accountability System allows AgriLife Extension staff and collaborators across the state access to information needed for their programs. These individuals can also enter information into the system so that AgriLife Extension management can review the progress of individual performance measures. A separate information system, Active Clad, is used to compile information from all involved parties into concise reports which are reviewed by multiple levels of management.

An annual report of all imperatives and performance measures is provided to the Agency director for his review of the Agency’s success in meeting imperatives. All information is used to reassess the strategic plan on an annual basis to ensure the Agency is working to meet the needs across the state.

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review and assess the Agency’s strategic planning processes for the development and monitoring of performance measures used by management for decision-making and to determine the extent to which the processes
provide for the completeness, integrity and accuracy of data, and operational efficiency and effectiveness. The audit included a review of the development of programmatic and operational imperatives for the Agency as well as an assessment of performance measure accomplishments.

The scope of the review extended from September 1, 2008 through August 31, 2009 for fiscal year 2009 accomplishments and September 1, 2009 through August 31, 2010 for fiscal year 2010 imperatives. Fieldwork was conducted from September through November 2010.

**Criteria**

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

**Background**

Texas AgriLife Extension Service has approximately 1,900 employees including over 900 professional educators providing community-based education to families, youth, communities and businesses in all 254 Texas counties. AgriLife Extension programs are designed to meet the needs of the different areas of the state and significantly depend on residents for input and program delivery. The strategic planning process for the organization starts from the bottom up with target audiences throughout the state and collaborators having input into the program design and ultimately the formulation of the strategic plan. Performance measures are tracked across the state through the interactive program developed by AgriLife Extension.
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