The Texas A&M University System Internal Audit Department

SECOND QUARTER REPORT
FISCAL YEAR 2008

TEXAS A&M SYSTEM

March 19, 2008
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PROJECT SUMMARY

Overview

Overall, significant improvement is needed in the environmental health, safety and security operations at Texas A&M University-Commerce. This important University function is not sufficiently staffed, with only one interim employee performing environmental health and safety-related duties, to reduce the risks in these areas and demonstrate exemplary environmental stewardship. Key areas of risk disclosed in the audit include safeguarding of chemicals, employee safety training, teaching and research laboratory monitoring and inspections, and building key controls.

The University is commended for maintaining accurate and complete records of student safety training in teaching laboratories. Moreover, the University has made a significant investment in fire and life safety.

Summary of Significant Results

Environmental Health and Safety Staffing and Resources

Environmental health and safety staffing at the University is not adequate. Only one University employee performs environmental health and safety-related duties in the University's interim safety position. This employee also performs non-safety duties. A benchmarking analysis, performed as part of a review of environmental health and safety at the Texas A&M University System indicated that the University is understaffed in this area and may need as many as four full-time equivalent positions. The University will need to determine staffing necessary to reduce the risks of injury to individuals and facilities, and penalties resulting from noncompliance with federal regulations. This determination should include consideration of the recent emphasis on formalized environmental management systems as required by System Policy 24.04.
Safeguarding Chemicals

Procedures have not been developed for the appropriate handling of chemicals. Monitoring of chemical inventories is not performed. Individual departments, for example Chemistry, Biology, Photography, and the University Farm, need stronger controls including written procedures for the safeguarding of chemicals. Inadequate procedures, and the absence of monitoring, heighten the risk that necessary safeguards may not be taken.

Employee Safety Training

Safety training, specifically hazardous communication and blood borne pathogen training, is not provided to all new employees, whose position has been identified as requiring this training. Adequate training is an important preventative safety control, and is required by System Regulation 24.02.01.

Teaching and Research Laboratories

Teaching and research laboratories are not monitored or inspected by the Safety Office for compliance with safety protocols. Departmental protocols have not been standardized. Laboratory safety guidelines are set by individual instructors and are inconsistent, even within the same academic department. Physical observation of teaching laboratories showed varying degrees of noncompliance with safety requirements in the sixteen laboratories reviewed.

Building Key Controls

Building keys are not adequately controlled. A standard method of authorizing and issuing keys did not exist. A chain of custody was not consistently established. Accurate lists of keys held by departmental employees were not obtainable. Written procedures were not available to guide those involved in the key issuing and managing process. Inadequate key control increases the risk that assets will be lost, and makes it more difficult to assign responsibility.

Summary of Management’s Response

The University acknowledges that further improvements to its health and safety programs are needed. It is our intent that all of the University’s environmental health and safety programs reach the same level of success as our efforts in fire and life safety. The University has already made a significant commitment to the staffing
of the risk management department. We have hired a Director of Risk Management who will have the overall responsibility for coordinating and reporting on all health and safety issues. The University has also added a professional trainer to the human resources department, whose responsibilities will include training on safety related issues such as blood borne pathogens and hazardous materials handling.

Teaching and research laboratory safety will continue to be the responsibility of the academic area. The Provost will reinforce the need for good habits and timely training, and resources from risk management and training will be made available to assist department heads and faculty.

Scope

The review of environmental health, safety and security operations focused on the areas of staffing, chemical inventories, training, safety, laboratory protocols and enforcement, key control, crisis management, camps, and student travel for the period September 2006 through September 2007. Fieldwork was conducted in September 2007.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Environmental Health and Safety Staffing and Resources

Observation

Environmental health and safety staffing at the University is not adequate. Only one University employee performs environmental health and safety-related duties in the University’s interim safety position. This employee also has non-safety duties. Benchmarking analyses, performed in 2006 as part of a review of environmental health and safety at the Texas A&M University System (see Attachment), indicated that the University is understaffed in this area and may need as many as four full-time equivalent positions, based on campus net assignable square footage. The actual number of full-time environmental health and safety-related positions required to reduce risk to an acceptable level should be determined by the University. This determination should include consideration of the recent emphasis on formalized environmental management systems as required by System Policy 24.04, Environment, as well as related requirements incorporated in System regulations.

Inadequate environmental health and safety staffing increases the risk of employee/student injury, facility damage, and penalties associated with noncompliance with federal and state requirements.

Recommendation

Staff the environmental health and safety function sufficient to address the other conditions noted in this review, and sufficient to address the A&M System’s requirement for exemplary environmental stewardship, and the requirement to create and sustain an environmental management system.

Management’s Response

The University has already made a significant commitment to the staffing of the risk management department. We have added a Director of Risk Management who will have the overall responsibility for coordinating and reporting on all health and safety issues. The existing position of safety manager is also being filled. The University has also added a professional trainer to the human resources department, whose responsibilities will include training on safety related issues such as blood borne pathogens and hazardous...
1. Environmental Health and Safety Staffing and Resources (cont.)

<table>
<thead>
<tr>
<th>University-wide procedures on handling chemicals do not exist.</th>
</tr>
</thead>
</table>

materials handling. She is dedicated as .25 FTE to health and safety. The new emergency notification system is managed by a police officer assigned as a .25 FTE employee to health and safety. This provides 2.5 FTE to this department. The new Director of Risk Management has been charged to thoroughly evaluate the scope of work for this area and to make recommendations to management about the ultimate staffing needs. Staffing of 2.5 FTE to be completed by February 29, 2008; ultimate staffing level by December 31, 2008.

2. Safeguarding of Chemicals

Observation

The University has not developed procedures on handling chemicals. Monitoring of chemical inventories is not performed. Individual departments need stronger controls, including written procedures, for the safeguarding of chemicals and related equipment. As a result, during our testing of Chemistry, Biology, Photography, Agriculture Science/University Farm, and Physical Plant we found that:

- Inventory listings were not available, or were incorrect. One reason for inaccurate listings was that receiving and dispensing procedures were not in place for the storage areas. Because of this, it was not possible to determine if the chemicals and related equipment were being used appropriately, and not being misappropriated. Also, without accurate listings, it is not possible to determine what safeguards need to be taken for unlisted chemicals.

- Disposal procedures were not in place. Improper disposals could put the University at risk for violations of federal environmental regulations.

- Material safety data sheets (MSDS) were missing, or not located in the same room as the chemicals. In the event of a chemical spill, if the MSDS are not available, appropriate action might not be possible.

Inadequate procedures for the safeguarding of chemicals heighten the risk of injury to students, faculty, and staff and place the University in noncompliance with federal and state requirements.

MSDS are designed to provide safety information, including procedures, to use in case a chemical is improperly dispersed.
Recommendation

2. Safeguarding of Chemicals (cont.)

Develop university-wide procedures on the safeguarding of chemicals, including accurate inventory listings, comprehensive chemical disposal procedures, and retention of required MSDS documentation. Monitor departmental handling of chemicals to ensure that procedures are being followed and unsafe conditions or improper handling of chemicals is corrected.

Management’s Response

University-wide procedures for chemical handling and safeguarding will be developed and enforced. Routine monitoring will be established. This effort will begin immediately. Implementation is expected to be completed by August 31, 2008.

3. Employee Safety Training

Observation

Safety training is not provided to new employees.

Safety training, specifically hazardous communication and blood borne pathogen training, is not provided to all new employees, whose position has been identified as requiring training. Some Facilities Maintenance employees, as well as some employees in other departments who have been identified as needing this training, have not been trained. Hazardous communication and blood borne pathogen training are important preventative safety controls, and are required by A&M System Regulation 24.02.01: Administration of Health and Safety, and Environmental Management Programs.

Recommendation

Develop a university-wide program, to help ensure that that all employees whose position has been identified as requiring certain safety training actually receive the training.

Consider developing web based safety training programs, especially for new hires.

Management’s Response

The University acknowledges that our health and safety training has not been completely comprehensive and well documented. With the addition of a professional trainer to the human resources function, we are confident that significant changes will occur in both the frequency of training, and our ability to document the training we
3. Employee Safety Training (cont.)

| deliver. Training has begun. Complete training on all required subjects to be completed by August 31, 2008. |

4. Teaching and Research Laboratories

Observation

Laboratories are not monitored or inspected.

Teaching and research laboratories are not monitored or inspected by the Safety Office for compliance with safety protocols. Departmental protocols have not been standardized. Laboratory safety guidelines are set by individual instructors and are inconsistent, even within the same academic department.

Physical observation of sixteen teaching laboratories, while in session, showed varying degrees of noncompliance with safety requirements. Instances of noncompliance, such as students without safety goggles and proper protective attire (38% of labs reviewed), improper storage of chemicals (63% of labs reviewed), cluttered work areas with student personal items not appropriately stowed (75% of labs reviewed), and missing or obstructed safety equipment (100% of labs reviewed), were noted in the Art, Biology, and Chemistry facilities.

Without a coordinated process to document, monitor, and enforce teaching and research laboratory safety protocols, risks of injury to students or others as well as property damage are increased.

Recommendation

| Standardize safety protocols for teaching laboratories. Periodically perform safety assessments of laboratories. |

Develop or enhance controls for monitoring and enforcing student compliance with laboratory procedures, including the use of personal protective equipment.

Conduct periodic unannounced inspections (especially, while labs are in session) of teaching and research laboratories to ensure that students, faculty, and staff adhere to laboratory safety protocols.

Ensure that all teaching laboratories contain the proper safety equipment and that they are uncluttered (e.g. student backpacks are properly stowed) prior to conducting a class.
### 4. Teaching and Research Laboratories (cont.)

Teaching and research laboratory safety will continue to be the responsibility of the academic area. The Provost will reinforce the need for good habits and timely training, and resources from risk management and training will be made available to assist department heads and faculty. Risk management will also monitor labs for good safety procedures and report findings for action by the Provost or designated academic official. This will begin immediately and be completely implemented by August 31, 2008.

### 5. Building Key Controls

#### Observation

<table>
<thead>
<tr>
<th>Building keys are not adequately controlled.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control of building keys was not adequately maintained. During our testing we found that:</td>
</tr>
<tr>
<td>• A standard method of authorizing and ordering building keys did not exist.</td>
</tr>
<tr>
<td>• A chain of custody was not consistently established when building keys changed hands.</td>
</tr>
<tr>
<td>• Accurate lists of building keys held by departmental employees were not obtainable.</td>
</tr>
<tr>
<td>• Written procedures were not available to guide those involved in the building key process.</td>
</tr>
</tbody>
</table>

Inadequate controls over building keys increase the risk of theft and property damage and inhibit the assignment of individual responsibility for the safeguarding of University assets.

#### Recommendation

Develop and implement written procedures. Consider forming a committee, comprised of both faculty and staff, to develop these procedures.

Establish a chain of custody when keys change hands. Maintain documentation of the change in custody.

Conduct a university-wide building key inventory to establish accurate departmental inventory lists. When these lists are available, they should be periodically reviewed. This, in conjunction
5. Building Key Controls (cont.)

with using the Human Resource Property Clearance Form, will help ensure that, when employees terminate, keys are returned.

Management’s Response

The Executive Director of Facilities and University Support Services has developed a plan to re-key the entire campus. This will render existing keys obsolete. Re-keying will begin shortly and may take up to 24 months to complete. Good tracking will be established.

Initial re-keying in a limited number of buildings by May 31, 2008. Complete re-keying by August 31, 2009.

6. Student Travel and Camps

Observation

University-wide guidance is inadequate for student travel and camps.

The University rules or procedures do not address student travel by rental or personal car for University sanctioned events. A listing of students traveling by rental or personal car is not required to be filed with the University Police Department. Because of this, in an emergency it may not be possible to locate students or other responsible parties.

The University rules and procedures do not address camps held by University departments or employees. Without guidance, a camp may be held that is incongruent with the University’s mission or without the knowledge and approval of the administration. Adequate insurance for the camp may not be obtained. In addition, adequate participant information may not be obtained, for example release, waiver, and authorization for medical treatment. Without guidance, or approval, the University could be exposed to both reputational and legal risks.

Recommendation

Expand the current student travel rules and procedures to include student travel by rental and personal car.

Develop and implement written guidance for camps held by University departments and employees. Ensure the guidance addresses appropriate safety and security issues related to camps.

Management’s Response

The University will develop and implement written procedures for all camps. The procedures will include safety and security guidelines.
6. Student Travel and Camps (cont.)

The University will also revise travel procedures to include instructions on student travel by rental and personal car. Procedures will be written by May 31, 2008.

7. Transformers

Observation

Transformers did not have required documentation of testing.

Documentation of PCB (polychlorinated biphenyls) testing was not available for fifty transformers, manufactured prior to July 2, 1979, stored on University property. The Toxic Substances Control Act requires testing of transformers manufactured prior to July 2, 1979. The University may not be in compliance with this Act.

Recommendation

Have these transformers tested to determine if their PCB level is within the legal level. If they are not within the legal limit, take appropriate action.

Management’s Response

The transformers will be tested and appropriate action taken based on the results. This will be completed by November 30, 2008.

8. Crisis Management Plan

Observation

The Crisis Management Plan has not been tested. Without regular testing, if a disaster occurred, the University may not be able to respond adequately. The Crisis Management Team should be responsible for overseeing tests of the Plan. The Crisis Management Team met in September 2006. Prior to this meeting, it had not met since before 2004.

Recommendation

Conduct periodic tests of the Crisis Management Plan. Report the results of these tests to the President.

PCB is a toxic substance that, if not contained, can contaminate the ground and groundwater. The transformers at the University may contain PCB.
Management’s Response

7. Crisis Management Plan (cont.)

The Crisis Management Plan was revised in November 2007. Comprehensive training documentation on individual responsibilities within the Plan has been created and training has begun. A multi-agency crisis exercise is being scheduled by the Chief of University Police for spring 2008. This will be completed by August 31, 2008.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the University’s controls and processes over campus safety and security operations to ensure that they provide reasonable assurance that a safe environment exists for students, faculty, and staff. Also, systems were evaluated to determine if the University is in compliance with laws, policies, and regulations relevant to campus safety and security.

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 Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); Texas A&M University-Commerce’s Safety Manual; federal and state laws; and other sound administrative practices.

The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

The Environmental Health and Safety and the University Police Department comprise the two most significant elements of the safety and security functions at Texas A&M University-Commerce. Both functions employ personnel who help carry out the safety and security mission statement, which is to provide a safe and healthy environment for students, faculty, staff, and visitors. The safety and security function encompasses several operations, including promoting safety and security awareness, developing and implementing safety programs, targeting crime prevention processes, and reporting and addressing criminal activity. The safety and security functions have approximately twenty-six staff (one interim safety/risk manager and twenty-five employees in the University Police Department). In fiscal year 2007, the annual operating budget was approximately $1,128,000 ($137,000 for the Environmental Health and Safety Office and $991,000 for the University Police Department).
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

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Christy Jurney
Susan McGrail, CIA
Darwin Rydl, CPA

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Dr. James Klein, Dean of the College of Arts and Sciences
Ms. Kim Landers, Interim Safety/Risk Manager
Ms. Donna Spinato, Chief of Police
### ATTACHMENT

<table>
<thead>
<tr>
<th>Academic Institution</th>
<th>FY 2005 Net Assignable Square Footage</th>
<th>Calculated Minimum Staffing&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Actual Staffing, FY 2005</th>
<th>Over or (Under) Calculated Minimal Staffing</th>
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<td>Tx A&amp;M; Tx A&amp;M Galveston</td>
<td>10,301,178</td>
<td>30</td>
<td>31</td>
<td>1</td>
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<tr>
<td>Tarleton State</td>
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<td>2</td>
<td>(1)</td>
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<tr>
<td>Prairie View A&amp;M</td>
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<td>(1)</td>
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<td>69,186</td>
<td>.20</td>
<td>.25</td>
<td>.05</td>
</tr>
</tbody>
</table>

Regional Universities with staffing below industry benchmark.

<sup>1</sup> Source, Tx Higher Education Coordinating Board

<sup>2</sup> Source, Dr. Robert Emory, UT HSC Houston – “Making Metrics Meaningful for Campus EH&S Programs.” Formula based on best-fit national average using 80 participating institutions.
PROJECT SUMMARY

Overview

Texas A&M University’s control process over data stored on portable computing devices does not ensure security of confidential and sensitive data, elevating the University’s reputational risk as well as its risk of noncompliance with federal and state guidelines. The University does not have a good assessment of the level of risk for confidential information on portable devices. Additionally, with little university-wide collaboration and monitoring, decentralized controls have resulted in a wide variety of control systems at the department level spanning from fairly controlled centralized systems at some administrative units to decentralized, individual, user-controlled practices, with a variety of control models in between. A recent survey of 62 faculty indicated that approximately 92% of faculty use laptops, 97% use USB flash drives, and 24% use a Blackberry or Smart Phone.

Summary of Significant Results

Governance – Direction and Guidance

While the University’s mitigation strategy for securing confidential data stored on portable computing devices has improved over the last two years, it still has vulnerabilities which limit its effectiveness in providing direction, guidance and oversight in the current decentralized control model. For example, the University’s rule on information security does not specifically address portable computing devices and personal owned computers. Additionally, the University’s Standard Administrative Procedure does not require encryption of data stored on portable computing devices, making it difficult to ensure security of such data.

Cooperation and Collaboration

The University has not sufficiently forged the necessary partnerships between administration, IT personnel, and users for individual user cooperation and interdepartmental collaboration on the security of all confidential data on portable devices resulting in a wide variety of control systems across campus. Without interdepartmental collaboration, departments do not benefit from...
the ideas of other departments. Additionally, with over 200
departments at the University, the resources required for
researching and testing IT solutions at the departmental level
make this approach inefficient.

Monitoring

University management has not developed a program to measure
and monitor the effectiveness of the University’s and individual
departments’ mitigation activities in providing compliance with
requirements regarding portable computing device security. In
assigning the responsibility for portable device security to
department heads without a monitoring program, the University’s
portable computing device security control system does not
ensure compliance with relevant laws governing confidential data.

Summary of Management’s Response

University Information Technology management takes the risk of
data loss or compromise very seriously. Recommendations in this
report support the Office of the Vice President and Associate
Provost for Information Technology’s continuing efforts to identify
opportunities for improvements. Information Technology will
continue to emphasize user awareness methods as well as enhance
communications with the campus community and monitor programs
for effectiveness.

Follow-up procedures will be performed by the University to ensure
corrective actions are implemented as intended. A follow-up plan
will be developed that is specific to each audit recommendation.

Scope

The review of portable computing device security focused on the
security of data on portable computing devices, including laptops,
USB flash drives, and Blackberries and Smart Phones. The audit
reviewed activities from September 2006 to October 2007.
Fieldwork was conducted from June to December 2007.
The University’s mitigation strategy does not provide adequate direction and guidance.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Governance – Direction and Guidance

Observation

While the University’s mitigation strategy for securing confidential data stored on portable computing devices has improved in response to an increase in perceived potential risk over the last two years, it still has vulnerabilities which limit its effectiveness in providing direction, guidance and oversight in the current decentralized control model.

There is also a risk that the campus community may not treat the challenges posed by portable computing devices with the seriousness they require, which could result in unauthorized access to confidential data. The University’s mitigation strategy has three main elements: a) University Rule on Security of Electronic Information Resources, 24.99.99.M1, which sets the tone that “programs must be employed to appropriately eliminate or mitigate the risks posed by potential threats to the University’s information resources; b) Standard Administrative Procedure (SAP) 24.99.99.M1.16, which provides guidance on mitigation measures regarding portable computing devices; and c) employee training to promote employee awareness on information security issues.

However, gaps exist in the University’s mitigation strategy. The current rule does not specifically address portable computing devices (whether University or personally owned). Additionally, while the University’s Standard Administrative Procedure 24.99.99.M1.16, Information Resources - Portable Devices: Information Security, as revised in October 2007, is an improvement from the previous version, it allows departments and resource owners to choose not to encrypt confidential data stored on portable computing devices based on information security risk management decisions and business functions that are documented in the annual risk assessment. Experience has shown that many incidents involving unauthorized exposure of confidential data such as social security numbers, student grades, etc., can create significant financial as well as reputation issues for organizations. In addition, the SAP is silent about senior management’s role in monitoring such decisions. It is important that University senior management is aware of the risks that
1. Governance – Direction and Guidance (cont.)

The University has not developed cooperation and collaboration for more effective portable computing device security.

department heads are accepting on its behalf, and that it is in general agreement with the risk management decisions.

Recommendation

University management should provide additional direction and guidance in the area of portable computing device security by enhancing its strategy as follows:

- Enhance the current information security rule to include confidential data stored on portable computing devices, including those that are personally owned.

- Enhance the University’s SAP to either exclude exceptions or articulate and implement a University management process to review the exceptions to make sure they are sound and consistent with the University’s risk management culture.

- Define more clearly the responsibility and accountability of IT management where resource owners opt not to implement the mitigation strategies provided by the SAP.

Management’s Response

The current information security rule will be modified to explicitly include confidential data stored on portable computing devices, regardless of device ownership. The SAP will include a management process to review and document exceptions for consistency with the University’s risk management culture. This management process will clearly define responsibility and accountability of IT management in relation to the resource owners. Revisions to the University rule and SAP will be submitted to the University for the review and approval process by May 31, 2008.

2. Cooperation and Collaboration

Observation

The University has not sufficiently forged the necessary partnerships between administration, IT personnel, and users for individual user cooperation and interdepartmental collaboration on the security of data for portable devices resulting in a wide variety of control systems across the campus. This is partly due to the decentralized nature of controls and management oversight at the University. While the heads of academic departments may have given their IT personnel the authority to ensure rule compliance,
the lack of user cooperation has made compliance difficult in some cases. Without interdepartmental collaboration, departments do not benefit from the ideas of other departments. Additionally, with over 200 departments at the University, the resources required for researching and testing IT solutions at the departmental level make this approach inefficient.

At the individual user level, current mitigation strategy for portable computing device security relies largely on user knowledge of portable computing device security and on user-implementation of appropriate security practices. However, interviews with a number of the faculty users who responded that they have confidential data on their portable computing devices indicated that they generally are not aware of the need to encrypt confidential and sensitive data on such devices.

The control system also relies on the user to report incidents of actual or potential unauthorized access to University confidential and sensitive data stored on a lost portable device. According to management there has only been one data loss incident caused by the loss of a portable computing device. However, a number of those with unencrypted, confidential and sensitive data did not know the full extent of the details of the confidential files on their devices, limiting the effectiveness of the system. This strategy can only succeed if the user is adequately knowledgeable about this area and if, in the event of having their device lost or stolen, they know the full extent of the data lost and report it. The University’s current strategy needs greater cooperation, collaboration, and emphasis.

Without a group, such as the Council of Senior Business Administrators (CSBA), the University does not have a formal liaison between responsible managers, IT personnel, and individual users. A group like this could provide the necessary departmental IT involvement in the evaluation of technological solutions for the University.

Recommendation

University management should enhance collaboration and cooperation in the area of portable computing device security by:

- Reviewing the specific security challenges that occur in academic departments, in particular, and developing a specific plan to address them.
2. Cooperation and Collaboration (cont.)

- Forging the necessary partnerships between administration, IT personnel, and users for cooperation and greater commitment to compliance.

- Providing a more streamlined menu of solutions to common problems in conjunction with departmental IT personnel.

- Reviewing the costs and benefits of a group, such as CSBA, to serve as a formal liaison between department heads, resource owners, IT personnel and individual users. This group could provide or coordinate the necessary departmental IT involvement in the evaluation of technological solutions.

- Reviewing why users find it necessary to store confidential and sensitive data on portable storage devices with the objective of encouraging alternatives.

- Reviewing ways of enforcing encryption of confidential and sensitive data stored on portable devices.

Management’s Response

To enhance collaboration and cooperation, IT management will implement improvements to the Information Security Awareness, Assessment, and Compliance System (ISAAC) review process and the Information Technology Forum.

Results from the ISAAC review process will be aggregated to bring central visibility to common and unique issues. Aggregated information will be provided through the Information Technology Forum as a means of improving communication.

The Information Technology Forum will implement processes to identify information gaps and publish guidance and best practices on a website of the Office of the Vice President and Associate Provost for Information Technology. The Vice President and Associate Provost for Information Technology will designate personnel representing the campus community to form an Information Technology Advisory Council (ITAC) to work with and through the Information Technology Forum. The ITAC will be formed by May 31, 2008. The ITAC or designated subcommittees will:

- As part of the process to define the ITAC charter, the ITAC will consider the cost versus benefits of various group structures, including a CSBA-like group. A report and recommended
2. Cooperation and Collaboration (cont.)

- Charter will be submitted to the Vice President and Associate Provost for Information Technology by November 2008.

- Conduct a study on end-user storage of confidential data on portable devices and determine methods to promote alternatives and/or proper data storage requirements. This report will be conducted during fall 2008 and completed by February 2009.

- Collaborate to identify common issues among represented areas, discuss issues identified from the aggregated ISAAC review results and discuss potential solutions. Relay information to member’s represented areas and the IT Forum. This task will be on-going but will start by May 31, 2008.

- Participate in the review of encryption enforcement mechanisms. This task will start immediately and be completed by August 31, 2008.

- An ITAC representative will be added as a voting member of the Provost’s Information Policy Committee, which is responsible for the development of all Information Technology rules and standard administrative procedures, in order to explicitly include a representative of departmental and college IT professionals in the rule making process. This representative will be added by August 31, 2008.

3. Monitoring

Observation

The University does not monitor security of data stored on portable computing devices.

University management has not developed a program to measure and monitor the effectiveness of the University's and individual departments' mitigation in providing for compliance with relevant rules regarding portable computing device security. This lack of monitoring elevates the risk of noncompliance with the Family Educational Rights and Privacy Act (FERPA) and research nondisclosure agreements. The University is largely unaware of data stored on portable computing devices and of the number and type of portable computing devices in use, whether University or personally owned. The University does not have an inventory of resource owners. In addition, it is not clear how faculty, staff, department heads, and deans are accountable to the Vice President and Associate Provost for Information Technology or the Provost with regards to information security.
A survey of IT administrators at the University’s colleges/schools showed that awareness of the use of student information outside the Student Information Management System (SIMS) varies widely, and that the opportunity for SIMS information to be stored on portable computing devices exists. The survey also showed that when SIMS information is stored outside of SIMS and on a portable computing device, the possibility exists that the information would not be encrypted. A survey of 62 (faculty) users indicated the following risks:

- Thirty-three percent (19 of 57) have student grade records on their laptops, none of which are encrypted. This could potentially result in unauthorized access to the information and a FERPA violation.

- Eighteen percent (11 of 60) of faculty surveyed have unencrypted student grades on their USB flash drives.

The increasing use of portable computing devices for University business requires the University to increase its mitigation for portable computing device security risks and the monitoring that goes with it to manage the increased risks. The decentralized nature of the University’s portable computing device security function would benefit from the use of periodic self-assessments and formal online certifications as means to remind department heads, resource owners, and users of their responsibilities, and to hold users accountable for compliance with the University rules while providing evidence of management diligence.

Recommendation

University management should develop and implement monitoring practices that could include self-assessments, online certifications, and any other strategies that would assist in reinforcing user responsibility. This type of monitoring should provide for better accountability, measurement of progress, and periodic review of effectiveness.

Management’s Response

Security awareness training for staff and faculty will be enhanced to specifically address storing confidential data on portable computing devices. The training will include a requirement for certification by staff and faculty that their handling of confidential data meets University requirements. Training and certification records will be monitored to provide for better accountability, measurement of progress, and periodic review of effectiveness. The new security
3. Monitoring (cont.)

*awareness training will be developed in fall 2008 and will be in use by February 28, 2009.*
BASIS OF REVIEW

Objective

The overall objective was to review controls over physical and logical security of the University's portable computing devices to determine if resources are used efficiently and effectively and in compliance with laws, policies, procedures and regulations. Determine whether controls are in place to ensure that sensitive data stored on or transmitted by portable computing devices is properly secured.

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 (TAC) 202; the Family Educational Rights and Privacy Act (FERPA); the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

The University's portable computing device security management is decentralized to departments university-wide, with the University’s Vice President and Associate Provost for Information Technology with ultimate responsibility. The University has approximately 14,000 employees including 3,500 faculty members. A recent survey of 62 faculty indicated that approximately 92% of faculty use laptops, 97% use USB flash drives, and 24% use a Blackberry or Smart Phone. The University’s Computing and Information Services Department provides the campus community with guidance in the form of rules, administrative procedures, and employee training. The University defines confidential information as “Information that is excepted from disclosure requirements under the provisions of applicable state and federal law.” Examples of confidential information include non-directory student records and personally identifiable health and financial records.
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PROJECT SUMMARY

Overview

Texas A&M University’s processes for identifying, recording and reporting transactions with historically underutilized businesses (HUB) do not ensure the information reported to Texas Procurement and Support Services is accurate. The University’s HUB Office has not provided the HUB program with oversight sufficient to ensure completeness, integrity, and accuracy of the information reported. Total HUB expenditures reported for fiscal year 2007 was $40 million.

Additionally, the University’s process for recording and reporting HUB subcontractor transactions does not ensure accuracy of the information submitted by vendors. The HUB subcontractor transactions accounted for approximately 10% of the University’s total HUB dollars reported for fiscal year 2007.

Summary of Significant Results

Oversight of HUB Program

The HUB Office has not provided sufficient oversight to ensure that reporting is reasonably accurate and in compliance with state laws. There is limited to no collaboration between the HUB Office, Financial Management Operations and Physical Plant. In addition, the HUB Office has not developed a centralized monitoring program to ensure the decentralized HUB reporting is performed accurately and in compliance with state laws.

The University reported approximately 15,000 HUB transactions totaling approximately $40 million for fiscal year 2007, including $19 million, $58,000, and $29,000 categorized as Special Trade, Professional Services and Building Construction, respectively. The audit revealed a high incidence of misclassification errors between Special Trade, Professional Services and Building Construction. A review of vouchers reported for Special Trade expenditures revealed that 63% should have been reported as either Professional Services or Building Construction.
Summary of Management's Response

Management concurs with the recommendations detailed in the audit report. Texas A&M University is committed to being a gateway for procurement opportunities to reach historically underutilized businesses. Implementation of the recommendations in the audit report will enhance existing procedures and improve the accuracy of HUB information reported to the state. Efforts are currently underway to implement the recommendations as outlined in the report.

Follow-up procedures will be performed by the University to ensure corrective actions are implemented as intended. A follow-up plan will be developed that is specific to each audit recommendation.

Scope

The review of HUB information focused on the accuracy of the information submitted to the Texas Procurement and Support Services for fiscal year 2007, including the University's processes for identifying, recording and reporting transactions with HUB vendors. The audit reviewed activities from September 2006 to October 2007. Fieldwork was conducted from October to December 2007.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Oversight of HUB Program

Observation

The HUB Office has not provided sufficient oversight to ensure that reporting is reasonably accurate and in compliance with state laws. The University’s reporting process does not ensure transactions are accurately coded under the state HUB categories of Special Trade, Professional Services, Building Construction and Other Services. A review of thirty vouchers reported for Special Trade expenditures revealed that 63% should have been reported as either Professional Services or Building Construction. In addition, the HUB Office has not developed a centralized monitoring program to ensure the decentralized HUB reporting is performed accurately and in compliance with state laws.

These conditions exist because the HUB Office has not assumed responsibility for the accuracy of data for the university-wide HUB program. Currently, the HUB Office is only directly responsible for the HUB commodities category which represents 8% of the HUB dollars reported by the University. The rest of the HUB reporting is decentralized between Financial Management Operations and Physical Plant. Physical Plant reports the largest proportion (43%) of the University’s HUB dollars. The HUB Office does not monitor or review any of the HUB dollars reported by other departments to provide some assurances for overall accuracy and completeness of the University’s HUB expenditures. There is limited or no collaboration between the HUB Office, Financial Management Operations, and Physical Plant.

Recommendation

The University’s HUB Office should provide oversight of the University’s HUB program to improve accuracy in reporting. Oversight of the HUB program should include close collaboration with Physical Plant and Financial Management Operations and a centralized monitoring program aimed at ensuring completeness, integrity and accuracy of reporting of HUB information, and operational efficiency.
Management’s Response

1. Oversight of HUB Program

Management has begun an evaluation of the HUB Program and will implement changes to improve oversight of the program and enhance coordination across the decentralized roles within the program. The evaluation will include assessment of organizational structure and the adequacy of resources devoted to the program. Management anticipates completion of this evaluation by August 31, 2008.

Additional improvements include the following:

- The University’s HUB Office has established monthly meetings with the Physical Plant HUB Coordinator and FMO personnel to review HUB expenditure information. Reviews will focus on the accuracy and completeness of data to be included in the semi-annual and annual HUB Reports. In addition to enhancing the monitoring of HUB report data, these meetings will also provide opportunities to review operational processes for effectiveness and efficiencies. The first meeting with the Physical Plant HUB Coordinator was held on January 31, 2008. The first meeting with FMO personnel took place on February 13, 2008.

- FMO, Physical Plant, and the HUB Office will coordinate efforts to enhance the accuracy of HUB reporting by using detailed accounting object codes which allow for improved classification of the Heavy Construction, Building Construction, Special Trade, Professional Services, and Commodities procurement categories. FMO will assist departments with training staff on use of the detailed object codes. Utilization of the detailed object codes will begin by May 31, 2008.

2. HUB Subcontractor Process

Observation

The HUB subcontractor process requires improvement.

The University’s process for recording and reporting HUB subcontractor transactions does not ensure accuracy of the information submitted by vendors. The HUB subcontractor process is an honor system that relies on information provided to the University by vendors through Progress Assessment Reports (PARs) rather than actual subcontractor invoices or other subcontractor documentation. The HUB subcontractor transactions accounted for approximately 10% ($4M) of the total HUB dollars reported for fiscal year 2007.
In addition, the audit revealed a number of issues with the current HUB subcontractor process as follows:

- There are inconsistencies in the way the HUB Office and Physical Plant record and track HUB subcontractor transactions. While both offices use an Excel spreadsheet, the spreadsheets are not identical, making it necessary for the HUB Office to reenter the Physical Plant data, increasing the risk of data entry errors.

- There are inconsistencies in the way vendors complete PARs. Some vendors show amounts “paid” to HUB subcontractors while others show amounts “to be paid” to subcontractors. These create timing differences which could significantly impact the accuracy of the information reported to the state.

**Recommendation**

Improve the accuracy of the subcontractor information submitted by vendors by spot-checking the PARs against third-party invoices or other subcontractor documentation.

Enhance the HUB subcontractor accounting process by:

- Streamlining the information on the Excel spreadsheets used for recording and tracking subcontractor activity so that the spreadsheets are identical between the two offices, eliminating the current need for the HUB Office to reenter data.

- Providing vendors with PARs and any other appropriate training to improve the accuracy and consistency of HUB subcontractor information.

**Management’s Response**

*The HUB Office will routinely request copies of canceled checks payable to the subcontractor from the prime contractor or request payment information directly from the HUB subcontractor and compare to prime contractor Progress Assessment Reports for validation. Forms to document this process are being developed and the verification process will be in place by May 31, 2008. The HUB Office will verify 5% of subcontractor expenditures quarterly.*

*The Excel spreadsheets for collecting subcontractor data have been modified. The HUB Office and Physical Plant now use an identical spreadsheet which has eliminated the reentering of data by the HUB Office.*
The HUB Office is collaborating with the Physical Plant to develop vendor training for completing the HUB Subcontracting Plan and Progress Assessment Report, to ensure accuracy and consistency of the recording of HUB subcontracting payments. The training will provide guidance on completing these documents as well as information on online resources available to vendors. The training schedule will be advertised to the vendor community and at pre-solicitation meetings. The first training will be offered by May 31, 2008 and will continue monthly, adjusting the schedule as needed.

2. HUB Subcontractor Process
(cont.)

3. Written Procedures

Observation

The University’s HUB Program has not developed complete formal written procedures to provide employees with day-to-day guidance on the process of identifying, recording and reporting transactions with HUB subcontractors. By not providing narratives and documentation to direct activities, there is increased risk that important procedures and guidelines will be bypassed or inappropriately handled. This was particularly exemplified in the difficulties the audit team experienced in trying to determine Physical Plant’s HUB subcontractor reporting process in the absence of the Physical Plant’s HUB Coordinator. Without detailed written procedures, expertise has been lost with employee turnover.

Recommendation

Develop comprehensive formal written procedures to provide employees with more detailed day-to-day guidance on the HUB subcontractor accounting and reporting process.

Management’s Response

The HUB Office will collaborate with the Physical Plant to develop comprehensive written procedures on the process of identifying, recording and reporting transactions with HUB subcontractors that will guide employees through the accounting and reporting process for collecting HUB subcontractor expenditure data. These procedures will be complete by August 31, 2008.
BASIS OF REVIEW

Objective

The overall objective was to review the accuracy of HUB information reported to Texas Procurement and Support Services, and to determine if the University has processes to ensure the completeness, integrity and accuracy of the information reported.

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 (TAC); the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

It is the mission of the HUB Program to increase the participation of historically underutilized businesses in University procurement opportunities by providing leadership and excellence in developing and growing positive HUB vendor relationships through advocacy, education, knowledge, and development. The University is required by TAC 20.16 to report the total dollar amount of HUB participation in all of the University's contracts for the purchase of goods, services, and public works payments. The University reported approximately $40 million in HUB expenditures for fiscal year 2007.
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PROJECT SUMMARY

Overview

The financial and management controls over the processes for administration of contracts at Texas A&M University generally provide assurance that business and service contracts are properly executed in compliance with applicable laws, policies, and regulations. However, weaknesses were noted related to the post-execution monitoring of revenue contracts. Some University departments that were reviewed do not have processes in place to provide assurance that contract revenues received are accurate and complete. As a result, there is a risk that errors and inaccuracies in revenues received would go undetected. Our analysis involved approximately $95 million in business and service contract revenues generated during fiscal year 2007.

Additionally, the Department of Contract Administration’s database needs to have some data fields added in order to provide information to better gauge the effectiveness and efficiency of the contracting process. The University also needs to update its contract administration rule to require the Department of Contract Administration to review large dollar hotel contracts and complex conference arrangements.

Summary of Significant Results

Verification of Contract Revenue

University departments do not have processes in place to provide assurance that revenues received are complete and accurate for four of eight contracts reviewed. As a result, there is risk that errors and inaccuracies in revenues received would go undetected. In fiscal year 2007, $10.6 million was received in revenue on these four contracts. Additionally, for three of the four contracts there was a lack of clearly defined responsibility to monitor the revenues received and for one contract, the University did not request financial summary reports to review.
**Summary of Management’s Response**

Management concurs with the observations and recommendations in the audit report. Measures necessary to address the recommendations are in process.

Follow up procedures will be performed by the University to ensure corrective actions are implemented as intended. A follow-up plan will be developed that is specific to each audit recommendation.

**Scope**

The review focused on contracting controls in place at the Department of Contract Administration and other departments across the University. Testing included analysis of revenue and expenditure data to identify potential contractual situations and detailed reviews of selected business and service revenue contracts. Contracting controls and expenditure and revenue transactions were reviewed for the period September 1, 2006 through August 31, 2007. Fieldwork was conducted September 2007 through December 2007.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Verification of Contract Revenue

Observation

Processes are not in place to verify that revenues received are complete and accurate.

University departments do not have processes in place to provide assurance that revenues received are complete and accurate for four of eight contracts reviewed. As a result, there is risk that errors and inaccuracies in revenues received would go undetected. In fiscal year 2007, $10.6 million was received in revenue on these four contracts. These contracts generated revenue for the University from a wide range of areas including licensed apparel sales, on-campus bookstore, beverage sales, and athletic venue advertising sales. Our testing identified the following:

- University-licensed Merchandise: The Licensing Resource Group (LRG) manages licensing contracts for the University with approximately 500 companies that produce University trademarked apparel and merchandise for retail sales. Once a quarter, LRG sends a Royalty Summary Report to the University’s Collegiate Licensing Office and electronically transfers the University’s share of the royalties collected from licensees. No process is in place to use the summary report or other means to verify the University’s share of the royalties paid by LRG. The contract with LRG has a right-to-audit clause, but it has not been exercised.

- Bookstore Sales and Beverage Commissions: Barnes & Noble and Coca Cola contract revenue and commission reports are received through the Department of Contract Administration. Based on the commissions generated, Financial Management Operations allocates the revenue to various fund groups and the Office of Budgeting and Analytical Services prepares the fund balances report for the President’s Office. However, no one is charged with monitoring and verifying the revenue received is accurate and complete in accordance to the terms of the contracts.

- Athletic Multi-media Sales and Marketing: Learfield Communications has a multi-media rights agreement with the University for exclusive sales and marketing of athletic programs and related activities. In the first year of the contract, the
1. Verification of Contract Revenue (cont.)

Athletics Department is monitoring guaranteed contractual amounts paid by Learfield. However, financial reports were not being requested from Learfield to verify accurate and complete payments according to the supplemental compensation plan and revenue sharing terms of the multi-media rights agreement.

The lack of a post-execution monitoring process for revenue contracts increase the risk that inaccurate or incomplete revenues are received by the University.

Recommendation

The University should:

- Require departments to have monitoring processes in place to provide assurance that contract revenues received are accurate and complete. This may involve a range of activities depending on the nature and significance of the contract such as review and reconciliation of sales figures to ensure the University is receiving the correct contracted amounts. The Department of Contract Administration should work with departments to determine appropriate measures to monitor and verify revenues in accordance with specific contract terms.

- Require assurance that controls are in place to protect University interests or exercise contract specific right-to-audit clauses in those situations when an external party assumes the responsibility for contracting and collecting revenues on behalf of the University, like the LRG contract.

- Strengthen monitoring controls by defining areas of responsibility between Contract Administration, Financial Management Operations and the Office of Budgeting and Analytical Services including the verification of revenues and communicating to all administrative parties to ensure they understand their specific duties and responsibilities with regard to university-wide contracts like the Barnes & Noble and Coca Cola contracts.

- Request financial reports as necessary to verify that payments are complete and accurate in accordance with the supplemental compensation plan and revenue sharing, and other financial terms of the Learfield contract. Reconcile reported information to actual receipts and contract terms.
### Management’s Response

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<th>1. Verification of Contract Revenue (cont.)</th>
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Upon full execution of a contract, Contract Administration will:

1) provide a contract execution summary to the respective TAMU department and Financial Management Operations (FMO) and
2) provide a reminder to departments of their roles and responsibilities to ensure contract revenues are accurate and complete. The contract execution summary will include the respective TAMU department, contractor name, pertinent revenue dates or frequency of payment occurrences, revenue amounts stated in the contract, and term of agreement.

On a quarterly basis, Contract Administration will provide a revenue contract schedule to TAMU departments and FMO noting active revenue contracts and pending revenue payments for that quarter. This will serve as an additional reminder to the departments to monitor revenues. FMO will utilize these summaries to verify with departments that revenues have been reviewed for receipt and accuracy and accounted for properly.

In those instances where a third party is collecting revenue on behalf of TAMU, as in the LRG contract, Contract Administration will provide notification of any right to audit clause in the contract execution summary to the respective TAMU department. TAMU departments are expected to evaluate, on a case by case basis, the necessity of exercising their right to audit and will be reminded of that responsibility by Contract Administration concurrent with contract execution.

These processes will be dependent on additional fields in an updated Contract Administration database. It is anticipated that the database will be operational by August 31, 2008 for use with all contracts executed after this date. Revenue and date information for active revenue contracts executed prior to this date will be entered into the revised database no later than November 30, 2008.

The TAMU Office of Budgets and Analytical Services will assume responsibility for reconciliation of university-wide agreements such as Barnes & Noble and Coca Cola. The process will be in place by August 31, 2008.

As provided for in the contract between the Athletic Department and Learfield Communications, the Athletic Department will request a financial report at the end of each fiscal year from Learfield to verify the accuracy and completeness of the payments made according to the supplemental compensation plan and revenue sharing terms of the contract. This report will be reconciled to the actual payments.
1. Verification of Contract Revenue (cont.)

received from Learfield. The process will occur by November 30, 2008.

2. Contract Administration Department Database

Observation

The contract administration database maintained by the Department of Contract Administration has been a strength in the control environment for overseeing the University’s delegation of authority. However, the database has been in existence for approximately ten years and needs revision to provide additional management information to gauge the effectiveness and efficiency of contracting processes for the University. Additional data fields are needed to provide information such as contract processing status, contract type (revenue or expenditure), use of standardized contracts, and Financial Accounting Management Information System (FAMIS) account numbers which could provide useful information for monitoring contracts. The lack of contract information limits specialized reporting, locating contract financial information and identifying usage of standard contracts. The inability of departments to see the status of contracts via the Internet creates inefficiency for the Department of Contract Administration due to the time spent taking phone calls and answering emails concerning contract status.

Recommendation

To better track the effectiveness and efficiency of the contracting process, enhance the University’s contract database by adding additional fields including (but not limited to) contract status, revenue or expenditure identification, standard versus non-standard contracts and information such as account number linking the contract to FAMIS.

Management’s Response

The Finance Division Computing Group, working in conjunction with Contract Administration staff, is currently transitioning the database to a web-based system, altering the input fields in order to generate better contract reporting, such as separation of revenue and expense contracts, improving tracking features and other enhancements. Current progress is indicative of a fully operational database for use by August 31, 2008 for all contracts executed after this date. Pertinent information for active revenue contracts will be entered no later than November 30, 2008.
3. Hotel Contract Review

Observation

University Rule 25.07.99, Contract Administration, which addresses hotel contracting, does not require the Contract Administration Department to review hotel contracts. Increasingly large dollar contracts for hotel accommodations and conferences (in excess of $100,000) are being initiated by University departments. There is an increasing risk that departments may unknowingly obligate the University to expenses and liabilities associated with these contracts due to standard penalty clauses within these type of contracts which need to negotiated and modified so that the University can minimize its loss when a conference event is canceled.

Recommendation

Update the University’s Contract Administration rule for delegation of authority to require Contract Administration Department review of hotel contracts and complex conference arrangements over a certain dollar threshold as determined appropriate by management.

Management’s Response

Contract Administration will work with the Office of General Counsel to develop a standard addendum for use by TAMU departments regardless of the dollar value of the hotel/conference contract. The standard addendum will be posted to the Contract Administration website. This standard addendum will be submitted for Office of General Counsel’s review and approval by August 31, 2008.

Additionally, Contract Administration will revise University Rule 25.07.99.M1-Contract Administration to reflect that TAMU departments are required to use the standard addendum and maintain copies of fully executed addendum and hotel/conference facility contracts. A department desiring to execute a non-standard hotel/conference contract must obtain authorization and approval from Contract Administration. Contract Administration will accordingly revise University Rule 25.07.99.M2, President’s Delegation of Authority for Contract Administration, to provide for the changes noted above. Revisions to these rules will be submitted to the University for the review and approval process by August 31, 2008.
4. Basketball Team Travel

Observation

<table>
<thead>
<tr>
<th>Basketball team travel was not properly contracted.</th>
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<td>The Athletic Department paid $411,000 without a valid contract for charter airline services for the A&amp;M basketball team during fiscal year 2007. The payments were made based on a sponsorship agreement between the air charter company and the Athletic Department’s multimedia marketing company. The agreement stipulated Texas A&amp;M would make such payments from its basketball budget. This contract was signed by the onsite manager for the contractor with no signoff by A&amp;M Athletic Department administration. As a consequence, this was in violation of University purchasing rules, delegation of authority limits, and System regulation for use of charter airplanes.</td>
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Recommendation

| Require the review and approval of all third party contracts by Athletic Department administration. Contracts obligating the University should be approved according to the University’s Delegation of Authority. |

Management’s Response

| The Athletic Department informed Learfield Communications that all contracts obligating the University must be reviewed and approved by the Athletic Department administration. These contracts are routed by the Athletic Department according to the University’s Delegation of Authority. |

5. Year-end Recognition of Contract Revenues

Observation

| Fiscal year-end accruals are not being made to properly recognize contract revenues. |
| Fiscal year-end accruals are not being made for collegiate licensing and beverage revenues. The Financial Management Office (FMO) receives quarterly revenue information on a calendar year basis from LRG, but no fiscal year 2007 year-end accounting entry was made to properly recognize revenue earned in July and August 2007. The LRG contract generated approximately $1.8 million in revenue during fiscal year 2007. The error resulted in approximately $75,000 in underreported revenue on the fiscal year 2007 annual financial report. |
5. Year-End Recognition of Contract Revenues (cont.)

In addition, $6,800 in monthly Coca Cola commission revenue for August 2007, received in September 2007 by the Contract Administration Department, was not accrued for fiscal year 2007. The lack of a proper accrual results in revenues being recognized in the fiscal year when it was collected instead of when it was earned.

Recommendation

Make fiscal year-end accruals to properly recognize contract revenues for the LRG and Coca Cola contracts. Coordinate this with FMO to produce more accurate and reliable revenue receivables for these contracts.

Management’s Response

Financial Management Operations Accounting Processing Group will begin recording year-end revenue accruals for both the LRG and Coca Cola contracts for the period ending August 31, 2008. These accruals will be recorded as part of the fiscal year end close-out process and will be complete by November 30, 2008.
BASIS OF REVIEW

Objective

To review the financial and management controls over the processes for the administration of University contracts to determine if resources are used efficiently and effectively and in compliance with applicable laws, policies and regulations.

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 Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

The University’s delegation of authority for contract administration, Rule 25.07.99.M2, establishes the routing, level of review, and authorization to execute contracts in a broad range of twenty-two business areas. The Department of Contract Administration has oversight responsibility of the delegation of authority so that it facilitates a well-defined administrative control environment that assures management exercises its fiduciary responsibilities when executing and administering contracts on behalf of Texas A&M University. In carrying out these responsibilities, the Contract Administration Department reviewed approximately 1450 business and services contracts valued at approximately $93 million during fiscal year 2007.
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PROJECT SUMMARY

Overview

The Texas AgriLife Research (Research) and Texas AgriLife Extension Service (Extension) human resources office generally provides the guidance necessary to reasonably assure that the human resources processes are in compliance with laws, policies and regulations. However, further monitoring and standardization of decentralized processes for terminations, hiring, and annual performance evaluations are needed to reduce the relatively high error rates noted in our audit testing in these areas.

During fiscal year 2007, the Texas A&M Agrilife Human Resources office (Ag HR) began implementation of an electronic performance evaluation system and an electronic imaging and filing system for payroll and personnel files. Implementation for these programs is scheduled for completion during fiscal year 2008. Our review indicates that implementing and using these systems improves consistency of documentation and compliance with applicable laws, policies, and regulations. It also provides opportunities for more efficient and effective monitoring of human resources processes. In addition, the agencies’ Internal Management Review Team periodically tests certain human resources processes for compliance at the units.

Summary of Significant Results

Terminations

Employee termination processes are not consistently documented to ensure that they are being conducted in compliance with applicable laws, policies and regulations. Limited guidance and lack of monitoring employee terminations increases the risk of losses from unauthorized access to assets and information systems by former employees.

Hiring Documentation

Employee hiring files did not contain the appropriate information to support the selection of the employee hired. Weaknesses noted in documentation to support hiring decisions increases the risk that
the agencies cannot demonstrate that the candidate that best fits the position is hired and that the hiring decision is justified and well supported.

Summary of Management’s Response

AgriLife Extension and AgriLife Research recognize the need for additional monitoring of the termination and hiring processes. These areas will be improved through a combination of continued training, increased monitoring, and enhanced review of units by Administration and by the Management Review Team. Performance reviews of unit heads will address this issue.

Scope

The review of Ag HR focused on human resources processes for the period of September 1, 2006 through August 31, 2007. Areas reviewed included hiring, payroll, state-mandated training, evaluations, terminations, grievance processes, and required workplace notices. Fieldwork was conducted from October through November 2007.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Terminations

Observation

Employee termination processes are not consistently documented to ensure that they are being conducted in compliance with applicable laws, policies and regulations. Exceptions identified included the following:

- Eighteen of twenty-eight (64%) termination checklists used were not filled in completely or enough to determine if assets had been returned or did not need to be returned. The alternate methods created by the units were inconsistent and frequently did not document all of the information that should be recorded.

- Thirty-one of sixty (52%) terminated employees did not have any documentation to show that property, IDs, credit cards, and keys were returned and computer access was terminated.

- Nine of thirty-three (27%) employees with access to computer systems with confidential information did not have their access terminated within 30 days after the employees’ termination dates. All nine employees still had access to at least one of the systems with confidential information at the time of the audit testing on October 31, 2007, 58 to 365 days after the employees terminated.

- Eight of sixty (13%) of the Employee Personnel Action forms to terminate employees from payroll were not processed within 30 days of the employees’ termination dates.

Research and Extension have not developed adequate termination procedure guidance and monitoring procedures to ensure compliance with laws, policies, and regulations throughout the units. Responsibility for the termination process has been delegated to the units without centralized oversight. Research and Extension have developed procedures for the issuance and return of property including keys and credit cards. However, there is no guidance to unit liaisons on the importance of deleting computer system access, as required by System Regulation 21.01.06 and Texas Administrative Code 202.75, deleting swipe card access, and returning employee IDs. A termination checklist was recommended,
1. Terminations (cont.)

but not required. The recommended Employee Termination Checklist did not have a place to document the return of the employee's ID or cancellation of swipe card or keypad access to restricted areas.

Although monitoring efforts of the Internal Management Review Team did include several human resource areas, it did not include a review of termination procedures. Detailed termination procedure guidance and monitoring would ensure that the termination process is documented to show the return of property, keys, credit cards, employee IDs, and other assets and the termination of computer and swipe card access in a timely manner for all employees.

Recommendation

Provide complete and detailed guidance, including an updated and standardized termination checklist, for processing terminated employees. Monitor the process to ensure that employee terminations are performed timely and completely.

Management's Response

Agency procedures are being updated to address this recommendation. A standardized termination checklist has been developed and will be required to be submitted to the payroll office when processing a termination action. The property office and the information technology office will be notified when a form is incomplete or not received to provide further follow up and to ensure our agency assets are secured. Timely and complete processing of terminations will again be reinforced through communication with responsible parties. The Management Review Team will continue to review these areas for compliance. Announcement of new regulations and implementation of a checklist will be accomplished by June 1, 2008.

2. Hiring Documentation

Observation

The hiring files did not contain the appropriate information to support the selection of the employee hired, as required by A&M System Regulation 33.99.01. For the hiring files reviewed, 20 of 32 (63%) had incomplete documentation (some had multiple exceptions):

- Thirteen (41%) did not have ratings or scores of applicants interviewed.
2. Hiring Documentation
(cont.)

- Twelve (38%) had no evidence of interview questions with answers.
- Eight (25%) had no evidence of reference checks.
- Five (16%) confirmation letters were not signed or dated by the new hire.

Research/Extension has a Recruiting and Selection Guide to instruct hiring supervisors on the hiring process. The Guide provides recommendations on how to fulfill documentation requirements (such as a recommended hiring matrix), but does not require that the standard forms be used. When alternative forms are used, they do not always include information such as applicant rankings that would support hiring decisions should the hiring decision be challenged. In addition, no guidance is provided for maintaining hiring documentation for wage employees.

Adherence to hiring procedure regulations ensures that documentation is available to demonstrate the best qualified candidate is selected without biased evaluation of candidates’ knowledge, skills, education, abilities, and experience. Reference checks verify corroborative evidence of the applicant’s expertise, accomplishments, and character and reduce the risk that management may not hire the best qualified candidate for the position. Obtaining a signed offer letter from the successful candidate on or before the date employment begins provides assurance that expectations have been clearly communicated and accepted by the new employee.

**Recommendation**

Continue to provide training to ensure that hiring supervisors understand the Research/Extension Recruiting and Selection Guide and their responsibilities for ensuring compliance with hiring requirements. Enhance monitoring procedures to ensure that hiring files are maintained in compliance with requirements. Review and update the Guide to provide additional guidance on hiring files, regarding maintaining required documentation for wage employees.

**Management’s Response**

*Training will continue to be provided to ensure a better understanding of recruiting and selection guidelines by hiring supervisors. Agency procedures will be modified to encourage supervisors to certify that standards were followed when hiring a new employee. Monitoring by the Management Review Team will*
2. Hiring Documentation (cont.)

Improvements are needed in documenting and monitoring staff annual performance evaluations.

continue. Announcement of new procedures regarding certification by supervisors will be accomplished by June 1, 2008.

3. Staff Annual Performance Evaluations

Observation

Eighteen of fifty-two (35%) staff annual evaluations reviewed were not fully completed as required by A&M System Regulation 33.99.03:

- Fifteen (29%) did not include employee goals and objectives.
- Nine (17%) did not document review of the position description.

Performance evaluations inform employees of the quality of their work, identify those areas needing improvement, set specific objectives for employees, and provide an opportunity to discuss career goals and the support needed to meet those goals. They also assist managers in evaluating their work force; identifying employee potential; and establishing priorities for training, education, compensation, and reward. In addition, they establish the basis for employee accountability and related decisions.

Although Ag HR recommends a standard performance evaluation form, various other evaluation forms developed by the units may be used for the annual evaluations. Many of these evaluation forms do not provide sections to cover employee goals and objectives or a statement in the evaluation form to indicate that the position description was reviewed as part of the evaluation.

Recommendation

Update and standardize evaluation forms to ensure compliance with A&M System regulations and Research/Extension procedures. Conduct and maintain complete performance evaluations that include goals and objectives and document the review of the position description. Enhance monitoring procedures to ensure that performance evaluations are conducted in accordance with A&M System regulations.

Management’s Response

Agency procedures are being updated to require that all evaluations for staff be processed through the GreatJobs HR management system. Alternate forms will be allowed, but must be submitted via GreatJobs. This will ensure that all employees and supervisors
3. Staff Annual Performance Evaluations (cont.)

**Improvements are needed in providing guidance and monitoring of faculty evaluations.**

Review the position description and document goals and objectives before an evaluation is considered complete. Enhanced monitoring will be conducted by Human Resources and the Management Review Team. Update of procedures and subsequent supervisor training of the new requirement that all evaluations be processed through GreatJobs will be accomplished by September 1, 2008.

4. Faculty Annual Performance Evaluations

**Observation**

Six of eight (75%) Research/Extension faculty annual evaluations reviewed were not properly completed (some with multiple exceptions):

- Five (63%) evaluations were completed after the agencies' established deadline.
- Two (25%) did not include employee goals and objectives.
- Four (50%) did not document review of the position description.

For late faculty evaluations, it appears that the supervisors may have used the staff deadline instead of the faculty deadline. Although Research has a rule with specific requirements and example forms for faculty evaluations, the current practices do not seem to coincide with the rule. A variety of forms were used for faculty evaluations. Although the Research rule gives Ag HR the responsibility to review faculty performance evaluation records for compliance and timeliness, Ag HR personnel indicate that there has been confusion and resistance to the monitoring of faculty evaluations. College of Agriculture and Life Sciences faculty are evaluated under the Texas A&M University (TAMU) faculty review procedure.

According to Research Rule 12.99.99.A1.01, faculty performance evaluations inform faculty of the quality of their work, identify those areas needing improvement, set specific objectives for employees, provide an opportunity to discuss the faculty member's performance during the past fiscal year, and provide documentation of faculty performance for promotion decisions.

Complete, timely annual performance evaluations, including a review of the current Position Authorization Description, Annual Plan of Work (includes employee objectives and tasks), and Achievement Report, provide the opportunity to maintain faculty accountability.
Recommendation

4. Faculty Annual Performance Evaluations (cont.)

Clearly communicate the responsibilities and requirements for faculty evaluations. Establish a monitoring process to ensure the timeliness of performance evaluations. Update and standardize evaluation forms to ensure compliance with Research/Extension procedures. Maintain complete performance evaluations that include goals and objectives and document the review of the position description.

Management’s Response

Agency procedures are being updated to require that all evaluations for faculty be uploaded to the GreatJobs HR management system. Human Resources will serve as the point of contact to account for faculty evaluations. This will help ensure that all employees and supervisors review the position description and document goals and objectives before an evaluation is considered complete. Enhanced monitoring will be conducted by Human Resources and the Management Review Team. Update of procedures and subsequent supervisor training of the new requirement that all evaluations be processed through GreatJobs will be accomplished by September 1, 2008.
BASIS OF REVIEW

Objective

Analyze the agencies’ management processes for human resources to determine if strategic and operational results and outcomes are achieved in an efficient and effective manner. Determine compliance with laws, policies, regulations, and rules.

Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; Research, Extension, and TAMU rules and procedures; state and federal regulations; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control – Integrated Framework (COSO); and other sound administrative practices.

The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ "International Standards for the Professional Practice of Internal Auditing."

Background

Most of the Research and Extension human resources functions are decentralized among approximately 50 locations (departments, Agricultural Research/Extension Centers, Research Stations or Laboratories, and Country Extension Offices) located across Texas. The Research and Extension human resources processes are jointly managed under Ag HR. Ag HR provides guidance and support to the units and monitors their work for accuracy and compliance with policies, regulations, rules, and procedures. Ag HR also provides human resources support for the majority of the Texas A&M University College of Agriculture and Life Sciences (COALS) employees.

Research, Extension, and COALS had a total of 6,144 faculty, staff, and student workers that were active during fiscal year 2007. The combined salaries, wages and benefits for fiscal year 2007 totaled approximately $215 million.
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PROJECT SUMMARY

Overall, Prairie View A&M University’s control system over hiring provides reasonable assurance that the process is effective and efficient and is performed in compliance with laws, policies, regulations and rules. University management recently enhanced its processes with the implementation of the PeopleAdmin Employment and Position Management System (PV PAWS). The new system not only facilitates online compliance monitoring by the Human Resources Department, it provides hiring supervisors with guidance on the hiring process while improving operational efficiency. Opportunities for improvement were noted with regard to the extent to which the Applicant Flow Record is complete and adequate in its justification for the hiring decision.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Justification of Hire

Observation

| Applicant Flow Records are generally incomplete. |

While the hiring supervisors use the Applicant Flow Record, they generally do not ensure the information is complete and accurate. Eighty-three percent (19 out of 23) of the hiring decisions reviewed were not backed by a complete Applicant Flow Record. In all 19 cases, the hiring department did not indicate which applicants were reviewed for the position. The new system requires hiring departments to update the status of applicants throughout the entire hiring process. The applicant's status (under management review, interviewed, first alternate, etc.) plays an important role in showing how the applicants were ranked in the overall justification of the hiring decision.

PV PAWS is still in transition. In August 2007, management made some significant changes to it, further enhancing the hiring process. Hiring departments are now required to complete the Hiring Proposal, which includes background checks, acceptance letters, etc., prior to approval of the Electronic Pay Action (EPA)
document that places a new employee on the payroll. Hiring departments are also now required to detail work reference verifications performed on the successful candidate. In addition, management recently began integrating departments’ information on interview questions and matrices into the system. As management continues to move more mitigation activities online, more reliance is placed on preventive controls as opposed to detective ones, further reducing the likelihood of error.

**Recommendation**

Provide training to users on the importance of updating an applicant’s status throughout the hiring process. Monitor Applicant Flow Records to ensure they are accurate and complete.

**Management’s Response**

*The Human Resources department will provide training to users, stressing the importance of updating an applicant’s status throughout the hiring process quarterly. This process will be completed by July 31, 2008.*

*The Human Resources department will monitor Applicant Flow Records monthly to ensure they are accurate and complete. This process will be completed by August 31, 2008.*

**BASIS OF REVIEW**

**Objective and Scope**

The overall objective was to review and assess the University’s employment process and determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. The review focused on the hiring process and related documentation for full-time staff new hires processed through PV PAWS. Transactions and activities related to this area were reviewed for the period from January 2007 through October 2007. Audit fieldwork was conducted from October through December 2007.

**Criteria**

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; Prairie View A&M University Administrative Procedures; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO);
and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

The purpose of the University’s employment process is to attract, develop, and retain a highly qualified, diverse, and productive workforce. The University employs approximately 1,100 faculty and staff and salaries, wages and employee benefits comprise approximately 58% of fiscal year 2008 budgeted expenses.
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PROJECT SUMMARY

The Trans-Texas Videoconference Network (TTVN) assessment methodology and rates at Texas A&M University are consistent with TTVN’s operating philosophy as outlined in System Regulation 17.02.03. Each System member’s annual assessment covers operating costs, hardware and software maintenance costs, and planned capital expenditures. Non-System sites pay an annual affiliation fee. The methodology was designed by a Telecommunications Council sub-committee, evaluated by the Telecommunications Council and approved by System Chief Financial Officers in July 2007. The Telecommunications Council is made up of System member Chief Information Officers and is chaired by Texas A&M University’s Executive Director of Educational Broadcast Services.

TTVN provides the wide area network (WAN) for the Texas A&M University System. The WAN connects System members with the Financial Accounting Management Information System (FAMIS), Budget/Payroll/Personnel (BPP) and other administrative systems, and provides video-conferencing and TAMU intranet, intranet connection to the Lone Star Education and Research Network (LEARN), Internet, Internet2, and Voice over IP (VoIP) services.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Written Procedures Regarding the Calculation Process

Observation

While TTVN’s written procedures provide cost center definitions, projected expenses by cost center, an outline of operational philosophy and the Excel tool used to derive the amount assessed to each System member, and TTVN’s description and documentation of the calculation process could be enhanced.

TTVN’s current written procedures do not include a step-by-step description of the assessment process to provide staff or an
independent reviewer with guidance on how to arrive at the assessment. By not providing narratives and documentation to direct activities, there is an increased risk that important procedures and guidelines will be bypassed or inappropriately handled. This is especially relevant given that the assessment calculation is performed on a complex Excel spreadsheet and generally involves going through a number of iterations to arrive at some of the rates. In addition, the staff currently working with the assessment has been with TTVN for over 30 years. Without detailed written procedures, current expertise could potentially be lost with employee turnover.

Recommendation

Enhance written procedures to provide more detailed instructions on how rates are calculated.

Management’s Response

Management will develop a step-by-step instruction manual detailing the process required to develop the rates for the TTVN assessment. The documentation will include the following:

- Document the steps to develop the budget requirements for the upcoming year.
- Develop a document that describes the process utilized to develop the rates required to meet the budget requirements.

Management will use the current (FY09) assessment period to refine the process and develop the documentation. The complete documentation will be finished by May 31, 2008 and will be used for the FY10 assessment. The documents will be refined as necessary each year.

2. Calculation Tool

Observation

Excel may not be the most efficient means of calculating rates. Excel spreadsheets may not be the most efficient and accurate means of calculating TTVN rates. The assessment rates are calculated with the use of an internally developed tool which is comprised of a set of complex Excel spreadsheets. The tool allows users to alter fields/cells on the main worksheet without adjusting the supporting worksheets. As a result, the audit found that some of the cells on the main spreadsheet did not agree with the supporting spreadsheets. The tool is not designed to prevent
or detect inconsistencies between the lead spreadsheet and the supporting schedules, elevating the risk for both intentional and non-intentional errors. TTVN management is aware of these limitations and is currently considering the use of a SQL server database with a web page front end. The database would not only improve efficiency and accuracy, it would allow member institutions to update and view their data at any point during the year.

**Recommendation**

Reduce the complexity of the rate calculation tool while improving its accuracy. Develop detailed written procedures and instructions on how to use the rate calculation tool.

**Management’s Response**

While the spreadsheet will continue to be used in calculating the draft rates, Educational Broadcast Services will begin using a database structure for collecting and tracking the “tallying” information required to make the assessment. This will increase the efficiency in data collection and decrease opportunity for data loss. The databases will include information regarding telecommunications costs, port assignments, utilized bandwidth, video sites supported, and video sites under maintenance.

- A database for the Telecom costs will be developed by February 2008.
- A database for the Video Support and Maintenance information will be developed by February 2008.
- A database that tracks port assignments and bandwidth usage/allocation will be developed by August 2008.

The procedures will be updated to reflect the use of the databases as part of the next calculation process. The procedures will be updated by February 2009.

**BASIS OF REVIEW**

**Objective and Scope**

The overall objective was to review and assess TTVN’s newly developed assessment methodology and rate formula, and to determine the extent to which the methodology is effective and efficient and in compliance with A&M System regulation. The
review of TTVN rates focused on the new assessment methodology and formula developed in November 2006, and approved by System Chief Financial Officers in July 2007. The transactions and activities related to the assessment were reviewed for the period September 1, 2005, through August 31, 2006. Fieldwork was conducted primarily from September through October 2007.

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 Treadway Commission's Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

TTVN provides the wide area network (WAN) for the Texas A&M University System. The WAN connects System campuses with FAMIS, BPP and other administrative systems, and provides video-conferencing and TAMU intranet, intranet connection to the Lone Star Education and Research Network (LEARN), Internet, Internet2, and Voice over IP (VoIP). With an annual budget of approximately $3 million, TTVN is responsible for the engineering and operating of the network of circuits, routers, and switches.
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PROJECT SUMMARY

Texas AgriLife Extension Service (AgriLife Extension) management should be commended for designing and implementing a comprehensive organization-wide Enterprise Risk Management (ERM) process. AgriLife Extension’s ERM process ensures that significant events that could adversely affect the accomplishment of key goals are identified, evaluated and assigned appropriate mitigation and monitoring strategies in accordance with the Agency’s risk appetite and risk response threshold. In addition, senior management receives periodic reports during the year on risk management activities. The ERM process is closely linked to the Agency’s Strategic Plan and Needs Assessment, providing a high degree of assurance that AgriLife Extension remains well positioned to serve its constituents in the best possible manner.

With most of the organizational levels represented, the event identification and evaluation includes paraprofessionals, county agents, faculty, middle management and executive management from each of AgriLife Extension’s disciplines. The risks are analyzed under the five risk categories of Strategic, Compliance, Financial, Operational and Reputation. The organization-wide representation and categorization assist in creating a comprehensive risk inventory while providing Agency employees with ownership of the process. This is critical in instilling the “everyone is a risk manager” concept. AgriLife Extension’s risk evaluation process appropriately considers both the likelihood and the impact of the risk occurring, and utilizes a modified nominal group technique (anonymous voting) to reduce groupthink.

AgriLife Extension management has designed appropriate control activities to satisfy its low risk tolerance. Control activities include the Common Sense Risk Management tool, the TExAS Automated Planning and Reporting System, accountability system, risk management training, employee and volunteer-screening, equipment replacement funding plan and maintenance schedule, and written procedures.

AgriLife Extension’s ERM process includes monitoring for unexpected conditions and changes in conditions at various levels of the organization through the use of accomplishment reports, activity and performance reporting, and periodic operational
reviews of control activities in the fiscal, operational and information technology areas.

BASIS OF REVIEW

Objective and Scope

The overall objective was to review the AgriLife Extension’s Enterprise Risk Management processes and determine if the key elements of the process are designed to identify and mitigate risks through the use of a systematic organization-wide approach. The review focused on the elements of risk identification, assessment and evaluation, response, control and monitoring activities performed for the period July 2004 through December 2006. Fieldwork was conducted from November through December 2007.

Criteria

Our review was based upon standards as set forth in the Treadway Commission’s Committee of Sponsoring Organization’s Enterprise Risk Management - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform to the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

AgriLife Extension’s mission is to provide quality, relevant outreach and continuing education programs and services. AgriLife Extension employs approximately 1,600 staff serving families, youth, communities and businesses in all 254 of the state’s counties, with an annual operating budget of approximately $104 million. In addition, AgriLife Extension works with approximately 90,000 volunteers each year to deliver service to the citizens of Texas. County Extension Agents serve as local educators in the broad areas of food and fiber production, marketing and policy, environmental and natural resource conservation and management, family and consumer sciences, human nutrition and health, 4-H and youth development, and community economic development.
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PROJECT SUMMARY

Bond information was accurately reported in The Texas A&M University System’s 2007 Annual Financial Report. Bond principal outstanding at fiscal year-end totaled $1.16 billion. Additionally, the A&M System is in compliance with significant requirements outlined in its bond covenants.

BASIS OF REVIEW

Objective and Scope

The overall objective was to determine if bond information is accurately reported in the fiscal year 2007 annual financial report, and to determine compliance with bond covenants. Our review focused on evaluating the presentation of bond schedules and bond-related notes presented in the annual financial report. In addition, procedures were performed to gain assurance that the A&M System is in compliance with significant bond covenants.

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 Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO); and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Background

Bonds are used by The Texas A&M University System to provide long-term financing for new construction and renovation projects. As of August 31, 2007, the A&M System had bond principal of $1.16 billion outstanding. The A&M System issues two types of bonds to investors, Permanent University Fund bonds, which are financed with revenue from the Available University Fund, and Revenue Financing System bonds, which are financed through allowable pledge sources.
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