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PROJECT SUMMARY

Overview

Controls within certain areas of Prairie View A&M University’s Physical Plant operations require improvement to ensure that resources are used efficiently and effectively and in compliance with laws, policies, regulations and University rules. Inventory management controls need to be strengthened to properly safeguard and manage the parts and materials maintained in stock which were valued at over $370,000. Other improvements needed included more comprehensive documentation of the process for establishing Physical Plant billing rates and cost allocations in order to demonstrate compliance with A&M System regulations. Also, increased compliance is needed in regards to the administration of Physical Plant construction projects and the procurement of goods and services.

The University’s Physical Plant reports to the Office of Business Affairs. The department performs a wide range of services to the University including utility operations, building maintenance, custodial services, construction management, grounds maintenance, and transportation services.

Summary of Significant Results

Warehouse Inventory

Controls over warehouse inventory processes are weak in certain areas and require improvement to ensure that resources are properly accounted for and used efficiently and effectively to achieve the department’s objectives. Improvements needed include maintaining updated and accurate inventory records, periodically counting and reconciling physical inventory to the inventory records, enhancing the process for ordering inventory items, and tracking excess inventory. Weaknesses in controls over the Physical Plant’s warehouse inventory operations increase the risk for inappropriate and inefficient use of inventory resources. Use of a single work order system to track current inventory and further centralizing inventory stock would better
facilitate the implementation of strong inventory controls and enhance the efficiency and effectiveness of inventory processes.

Summary of Management’s Response

Management appreciates the System Internal Audit Department’s efforts to identify issues needing improvement and steps necessary to ensure that improvement is achieved. We are committed to satisfactorily addressing these issues and have developed and enhanced procedures to address these issues.

Scope

The review of financial and management controls within the University’s Physical Plant focused on the areas of warehouse inventory management, billing rates and cost allocations, construction administration, procurement of goods and services, power plant redundancy, and deferred maintenance processes. Transactions and activities were reviewed primarily for the period September 1, 2008 through September 30, 2009, with some additional controls reviewed as of November 2009. Fieldwork was conducted from October through December 2009.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Warehouse Inventory

Observation

Warehouse inventory items being maintained in stock at the Physical Plant had a total cost of over $370,000 as of the date of test work. The following conditions were noted regarding controls over this inventory:

- Inventory listings generated from two of the three automated work order systems currently being used at the Physical Plant and the one manual inventory system in use were not accurate. In many cases these listings were not fully updated and/or contained handwritten entries. Physical counts performed of 50 inventory items selected from these listings resulted in 18 or 36% that differed by more than 10% or $100 from inventory records. In addition, seven or 14% of the inventory items tested did not have a unit cost included on the inventory listing or had a unit cost on the inventory listing that did not agree with the unit cost displayed on the corresponding invoice. Physical controls over inventories and other assets require that they be secured physically and periodically counted and compared with amounts shown on control records.

- Two Physical Plant warehouses (Grounds Maintenance and Custodial Services) did not perform reconciliations between the inventory records and the physical inventory in accordance with University Physical Plant inventory procedures. One Physical Plant warehouse (Central Utilities) did not have a procedure in place to perform inventory reconciliations. As a result, inappropriate or inefficient use of inventory resources could go undetected.

- Inventory reorder points are not always developed and reviewed to ensure the needs of specific maintenance or Physical Plant shops are met in an efficient and effective manner. Inaccurate inventory data in the work order system limits the ability to effectively use inventory reorder points reducing the efficiency of the ordering process.

- All five Physical Plant warehouses contained excess and obsolete inventory items which were not being tracked. For
instance, excess supplies and materials remaining at the end of construction projects are not added to the warehouse inventory which increases the risk that these assets could be misappropriated. In addition, unnecessary purchases could occur for supplies and materials already available resulting in an inefficient use of resources. Storage and maintenance of obsolete inventory also increases warehousing costs and the risk that inventory items are subject to misappropriation.

Lack of adequate controls over the Physical Plant’s warehouse inventory operations increases the risk for inappropriate and inefficient use of inventory resources. Current inventory operations are mostly decentralized. Each Physical Plant division maintains its own supplies and equipment warehouse or storage unit. In addition, three separate automated work order systems are currently being used at the Physical Plant. As a result, resources available for managing the inventory of supplies and materials are spread between these multiple warehouse locations and work order systems which inhibits the ability to effectively and efficiently manage this inventory.

The Committee of Sponsoring Organizations Report, Internal Control – Integrated Framework, states that as a physical control – “Equipment, inventories, securities, cash and other assets are secured physically, and periodically counted and compared with amounts shown on control records.” Physical Plant inventory procedures require periodic inventory counts and reconciliations for four of the five current Physical Plant inventory locations.

Recommendation

In order to strengthen controls over warehouse inventory, the University should:

- Perform a count and reconciliation of inventory at all Physical Plant warehouses (including satellite locations) in accordance with current Physical Plant inventory procedures. Promptly investigate and correct all differences noted. Complete the migration of the manual central utilities inventory records into the TMA work order system. Develop written procedures for performing periodic reconciliations of the Central Utilities inventory records with actual inventory items in the warehouse.

- Ensure warehouse staff has the necessary knowledge, skills and abilities in warehouse management, and provide periodic training on the work order system and inventory management as needed.
1. Warehouse Inventory (cont.)

- Establish inventory reorder points and periodically review these reorder points to ensure that they effectively and efficiently address current Physical Plant maintenance and shop needs. Solicit input from the various shop supervisors on ordering supplies and the quantities needed on hand to limit inventory to those items actually needed or used in the specific maintenance shop.

- Add excess supplies that have continuing value to the University such as those remaining from construction projects or other Physical Plant activities to the warehouse inventory records and ensure these items are properly safeguarded and accounted for. Consider these items prior to ordering similar items for increased efficiency of inventory purchases. Send obsolete inventory items to be surplused.

- Utilize one primary work order system for all warehouse inventories to the extent possible and consider further consolidating all inventory items within one main warehouse operated with trained inventory staff. The main warehouse could house bulk inventory and distribute inventory items to satellite locations as requested. This would help streamline inventory operations by allowing implementation of centralized inventory controls such as one inventory reconciliation and one physical security structure to maintain for the majority of the inventory. In addition, having one primary work order system would facilitate increased utilization and functionality of this system which could provide more opportunities to automate current inventory processes such as the planned use of bar coding. More accurate and real-time inventory information would also be available to assist with ordering inventory and performing periodic spot checks and reconciliations.

Management’s Response

We agree with your recommendations, and we are implementing the following process to strengthen controls over warehouse inventory.

The Physical Plant management will conduct the following:

- The Physical Plant management will perform a base inventory count of inventory as well as a formal physical inventory and reconciliation count. Management will develop formal written procedures for performing periodic reconciliations of the Central Utilities inventory records. Management will continue its efforts to complete the migration of the manual central utilities inventory records into the work order system.
1. Warehouse Inventory (cont.)

- University management will determine the current size and features of the warehouse and determine if a more consolidated warehouse system is required. University management will determine warehouse configuration, staffing needs, and provide periodic training to employees on the work order system and inventory management.

- Re-order points for high usage items have been implemented in the Facilities Maintenance department and continues to be refined as changes in material requirements occur.

- The Physical Plant management will establish a computerized data base for excess items.

- The Physical Plant management is currently moving in the direction of consolidating inventories. As the current TMA upgrade progresses, we expect to achieve efficiencies afforded by the consolidation of work order systems and inventories. Currently, funding has been identified and approved to organize and reconcile all Facilities Maintenance inventory locations. Central Utilities and Transportation/Grounds are in the process of moving appropriate work requests and inventories to the TMA System. The University is in the process of trying to identify space that will allow all warehouse inventory to be in one location. Implementing Cycle Counts throughout Physical Plant inventories will greatly enhance accountability and accuracy of our reconciliations.

This process will be implemented by February 28, 2011.

2. Billing Rates and Cost Allocations

Observation

Comprehensive written procedures have not been developed for establishing billing rates and allocating costs at the Physical Plant. In addition, portions of the rate setting and cost allocation process are not adequately documented with supporting schedules and other accounting records in compliance with A&M System regulations. The University’s use of a direct chargeback method for recovering most costs has limited the need for extensive rate setting documentation. However, additional supporting documentation is needed for various estimates and overhead allocations used during the rate calculation process. In addition, rates and corresponding accounting records related to costs, revenues, billings, collections, and surpluses or deficits are not
established and adjusted annually for each separate service provided. A&M System Regulation 21.01.05 states that each System component is responsible for establishing user rates, maintaining proper documentation of rate calculations, verifying that rates are not discriminatory towards different groups of users, and periodically reviewing operations for compliance. Without adequate supporting documentation there is a greater risk that billing rates are not set to recover the costs of providing the respective services. In addition, educational and general funds could indirectly be used to subsidize auxiliary enterprises, which is prohibited.

**Recommendation**

Develop and implement comprehensive internal documentation for the rate setting and cost allocation process at the Physical Plant. This documentation should include written procedures and other supporting schedules and accounting records used to establish rates and allocate costs for each service provided, especially those that are not based upon the direct chargeback method. Ensure that the requirements within A&M System Regulation 21.01.05, Service Departments, are incorporated into this process and the related procedures.

Coordinate with the Business Office for assistance in establishing these rates and the supporting schedules and accounting records as needed.

**Management’s Response**

*We agree with your recommendations, and we are implementing a formal process for comprehensive internal documentation for the rate setting and cost allocation.*

*The Physical Plant management will develop and implement written procedures for rate settings and cost allocation and ensure these procedures are established within the A&M System Regulation 21.01.05. A list of services will be developed that require rate settings and cost allocations. Upon completion of the list, a template will be developed to contain completed revenue and expenditure patterns. This template will show adjustments for fewer expectations discovered and submit an annual report to the Vice President of Business Affairs for the proposed rates of documents.*

*These activities are being implemented and will be completed by August 31, 2010.*
3. Construction Administration

Observation

The Physical Plant has comprehensive procedures for administering construction projects, but did not comply with these procedures in certain situations. Testing performed on four of the eight construction projects initiated during the audit period identified instances of noncompliance with construction procedures as follows:

- The bid opening did not occur at least 21 days after the last advertisement publication date as required for one of the four projects tested. In addition, no documentation of the last publication date was available for another of the four projects tested in order to determine compliance with this requirement. Without allowing sufficient time between the bid advertisement and bid opening an adequate vendor response to minor construction projects may not be achieved and thus the best bid available may not be received.

- Adequate proof of compliance with skilled trade license requirements was not provided for three of the four projects tested. Lack of evidence of proper licenses for skilled tradesmen used by the contractor increases the risk that construction projects do not meet required quality standards.

- The contractor was not paid within 30 days following the completion date of the project as required for two of three projects tested. Untimely payments to construction contractors could impact the ability to attract good contractors for future construction projects which could lead to fewer bids and higher costs.

University and A&M System construction procedures require that the bid notification precede the bid offering or vendor selection process by at least 21 days and indicates that four weeks or more for the bidding process is an accepted industry standard and should be used except in unusual circumstances. In addition, construction procedures indicate that the contractor shall comply with all applicable provisions of state law related to license requirements for skilled tradesmen, contractors, suppliers and/or laborers, as necessary to accomplish the work. Also, the final payment is due and payable on the 31st day following the owner's approval of the final application for payment by the contractor, subject to all allowable offsets and deductions.
Recommendation

3. Construction Administration (cont.)

Inadequate receiving documentation was provided for goods and services purchased.

Develop further procedures/checklists and increase monitoring as necessary to better ensure that:

- The bidding process for construction contracts is in compliance with the University and System construction procedures and requirements.

- All required documentation (bid documentation, insurance, skilled trade licenses, etc.) is obtained and included in the construction contract project folders at the Physical Plant Construction and Planning office.

- Contractors are paid within 30 days of the project completion date.

Management's Response

We agree with your recommendations, and we are developing formal procedures to increase monitoring of construction contracts.

The Physical Plant management will conduct the following:

- The Physical Plant management, in conjunction with the Procurement Office, will develop a formal process to ensure the bidding process is in compliance with University and System requirements, required documentation is maintained, and contracts are paid within 30 days of the project completion date.

This process will be implemented by November 30, 2010.

4. Procurement Receiving Documentation

Observation

University procurement procedures were not routinely followed in regards to receiving documentation. These procedures are available, both online and manually, to provide guidance for the procurement process. Physical Plant purchases did not adhere to, or comply with, the required procedures as noted below:

- For 13 of 57 (23%) vouchers tested, no supporting documentation was included in the voucher packet indicating that the goods or services were received prior to payment as required by University procurement procedures. In some cases, Central Receiving did not forward the receiving information to
Accounts Payable. In addition, Accounts Payable did not require receiving documentation for several of these vouchers due to the fact that the voucher was less than $250 or was for a recurring charge related to monthly service contracts.

- For 23 of 57 (40%) vouchers tested, Accounts Payable obtained confirmation of the receipt of goods and services by emailing the department.

The PVAMU Administrative Procedures Manual indicates that all goods delivered to the University should be delivered to the Central Receiving Warehouse, where a receiving report will be prepared and sent to the Accounts Payable Office. If the goods are received directly by the requesting department, it is responsible for providing proof of delivery to the Accounts Payable Office. In addition, all services provided to the University are generally provided to the applicable department who will provide the Accounts Payable Office with proof of delivery. Often this will be a signature on a copy of the invoice. In the case of a personal services contract, it will be a memo stating the services were provided. Without adequate receiving documentation there is a greater risk that payments could be made to vendors for goods and services not actually received.

**Recommendation**

The University should ensure that adequate receiving documentation is obtained for all goods and services purchased and provided to Accounts Payable in accordance with University procurement procedures. Personnel, including reviewing supervisors, involved in the purchasing process should be adequately trained on purchasing procedures and requirements. All purchases not in compliance with required procedures should be returned to the originators and not processed until corrected.

Work with Central Receiving to correct processes needed to ensure that receiving documentation is submitted to Accounts Payable in a timely manner. Also determine whether use of email confirmations is an acceptable practice under the current University procurement procedures and update these procedures as necessary.

**Management’s Response**

*We agree with your recommendations related to procurement receiving documentation.*

*The University will conduct the following:*
4. Procurement Receiving Documentation (cont.)

- The University will ensure adequate receiving documentation is obtained for all goods and services purchased in accordance with University procurement procedures. The University will ensure training is provided to all personnel involved in the purchasing process. All purchases not in compliance will be returned to the originator and not processed until corrected.

- The University, in conjunction with Central Receiving, will ensure receiving documentation is submitted to Accounts Payable timely. The University will review the current University procurement procedures and determine whether email confirmation is acceptable and revise procedures accordingly.

This process will be implemented by May 31, 2010.
BASIS OF REVIEW

Objective

The objective of the audit was to review and assess financial and management controls at the University's Physical Plant to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

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

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

Background

The University's Physical Plant reports to the Office of Business Affairs. The mission of the Physical Plant is “to create, maintain and support educational facilities that promote excellence in teaching, research and service.” To achieve this mission the Physical Plant has four primary functional divisions which provide most of the physical plant operations for the University. The four divisions include Facilities Maintenance, Central Utilities, Campus Maintenance, and Construction and Planning which together comprise approximately 110 full-time positions that report to the Assistant Vice President of Physical Plant. These functional divisions perform a wide range of services to the University including utility operations, building maintenance, custodial services,
construction management, grounds maintenance, and transportation services. The Physical Plant has a fiscal year 2010 operating budget of over $10 million and is responsible for maintaining approximately 119 buildings with over 2.4 million square feet and 350 acres in grounds.

AUDIT TEAM INFORMATION

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PROJECT SUMMARY

Overview

Human resources processes at Texas A&M University – Corpus Christi provide reasonable assurance for compliance with A&M System policies and regulations except in the areas of mandatory employee training, staff annual goal setting, and position description reviews. While the University’s hiring processes provide a framework to guide faculty and staff searches, they do not adequately prescribe firm standards for compliance with University rules. The current informal hiring procedures are nebulous and comprised of mostly recommendations that do not set clear expectations for human resources processes.

The University’s human resources management function is shared between the Human Resources department and the Equal Opportunity & Employee Relations (EOE) department. The Human Resources department currently has seven full-time employees while EOE has two.

Summary of Significant Results

Compliance with A&M System Regulations

The University’s guidance and monitoring over mandatory employee training do not ensure compliance with System regulations. The review found high compliance error rates for timely completion of mandatory training. In addition, the review found issues with goal setting, position description updates, and a lack of a University rule regarding compensation and classification.

Summary of Management’s Response

Management is in agreement with the recommendations from the review of human resources processes. Management is taking necessary actions to improve processes related to mandatory training for employees, staff annual performance evaluations, compensation and classification, faculty and staff hiring, and employee terminations.
Scope

The review of human resources processes focused on hiring processes, performance evaluations, and employee training for the period of September 1, 2007 to October 31, 2009. The fieldwork was conducted from October to November, 2009.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Compliance with A&M System Regulations

1a. Mandatory Employee Training

Observation

The University’s mandatory employee training program does not ensure timely completion of required training.

The University’s employee training processes do not ensure employees complete mandatory training in a timely manner, as required by System Regulation 33.05.02 (within 30 days from the time of hire for new employees, and every two years for existing employees). The untimely completion of mandatory training varied from 13 to 730 days late. The purpose of the mandatory training is to make new hires aware of their responsibilities as an employee of the System, and to remind current employees how to respond in certain situations to minimize risk to them and to the System. The details of noncompliance (i.e. employees who did not take required training in a timely manner) by training course and employee category are summarized in the table below:

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Reporting Fraud, Waste and Abuse</th>
<th>Orientation to A&amp;M System</th>
<th>Ethics</th>
<th>Employment Discrimination and Sexual Harassment</th>
<th>Information Security Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student New Hires</td>
<td>77% (23/30)</td>
<td>77% (23/30)</td>
<td>70% (21/30)</td>
<td>70% (21/30)</td>
<td>50% (15/30)</td>
</tr>
<tr>
<td>Faculty New Hires</td>
<td>43% (13/30)</td>
<td>50% (15/30)</td>
<td>20% (6/30)</td>
<td>20% (6/30)</td>
<td>17% (5/30)</td>
</tr>
<tr>
<td>Staff New Hires</td>
<td>17% (5/30)</td>
<td>17% (5/30)</td>
<td>13% (4/30)</td>
<td>13% (4/30)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Summary of error rates for Supplemental Employee Training

| Faculty | n/a | n/a | 68% (41/60) | 63% (38/60) | 92% (55/60) |
| Staff | n/a | n/a | 57% (17/30) | 50% (15/30) | 93% (26/30) |
1a. Mandatory Employee Training (cont.)

Current University procedures assign the responsibility for ensuring new hires receive all the required training to the relevant supervisor. In addition, the Equal Opportunity and Employee Relations Office (EOE) is responsible for monitoring to ensure compliance. While the training database is designed to send reminders to employees and their supervisors, management indicated that it has chosen to not use this feature. This makes EOE’s monitoring and follow-up the only reminder and monitoring process available to the employees and their supervisors. This elevates the University’s risk of noncompliance since EOE only has two full-time employees who appear to be over-extended. EOE is responsible for employee training, employee relations, equal opportunity, affirmative action, and grievances, providing search committees with guidance and monitoring for the faculty hiring process, and conducting and/or gathering information related to exit surveys.

Recommendation

Improve compliance with mandatory training requirements and implement a more robust monitoring process.

Management’s Response

Management concurs and has already taken the following actions: Mandatory training and strategies for improvement of training as well as new Train Traq features were discussed at the President’s Cabinet and other campus council meetings in January 2010. Monthly completion rate reports are being provided to all Division Heads and Deans. Monthly A&M System email training notifications have been reactivated effective January 28, 2010. As of January 2010, managers have been notified and have the tools to be actively engaged in the reviewing of their employees’ training status utilizing the new Train Traq features. The Equal Opportunity/Employee Relations Office will actively monitor employee training and will work with managers to improve performance on the 30-day new employee-training requirement.

1b. Staff Annual Performance Evaluation

Observation

The University’s staff annual performance evaluation process does not ensure employees set goals or are held accountable for the accomplishment of their individual annual goals. In addition, the process does not ensure the position description is reviewed by both employee and supervisor, as part of the evaluation.
Thirty percent (9 out of 30) of staff evaluations reviewed did not include performance goals and objectives. This is partly due to the University rules and procedures’ failure to communicate clear expectations regarding goal setting for staff. In addition, the University’s employee annual performance evaluation tool does not facilitate goal setting. Discussions with management indicated that the evaluation tool has not been revised in ten years. As stipulated in System Regulation 33.99.03, the purpose of employee performance evaluations is to inform employees of the quality of their work, to 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. Goals also assist managers in evaluating their workforce, identifying employee potential, and establishing priorities for training, education, compensation and reward. In addition, goals establish the basis for employee accountability and related decisions.

Sixty-seven percent (20 out of 30) of the evaluations reviewed did not have evidence that a review of the position description was performed as part of the evaluation process. A&M System Regulation 33.99.03 requires the employee and supervisor to review the duties listed on the position description and update where necessary as part of the evaluation process. In its instructions on annual performance evaluations that were disseminated six weeks before the evaluations were due, Human Resources reiterated the requirement to review the position description. Human Resources also provided instructions on how to review and update the position description with the new online system. A small box where employees and supervisors check for having reviewed the position description could significantly improve compliance. The University’s current evaluation tool does not have such a feature.

**Recommendation**

Improve compliance with A&M System Regulation 33.99.03 requirements regarding employee goal setting and review of position descriptions. Consider requiring supervisors to take performance management training and revising the University’s evaluation tool so that it facilitates goal setting and the employee and supervisor’s review and update of the position description.

**Management’s Response**

Management concurs and is taking the following actions: A new performance evaluation tool has been drafted and was made available for use beginning February 1, 2010. The new evaluation...
1b. Staff Annual Performance Evaluation (cont.)

The University has not established formal compensation and classification procedures. The tool requires supervisors to: 1) confirm that the position description has been reviewed and necessary updates made; 2) indicate whether or not an employee has completed all mandatory training; and 3) evaluate the status of last year’s goals and establish goals for the new year. Training scheduled in February 2010 will emphasize the requirements of A&M System Regulation 33.99.03. University rules and procedures are being updated to emphasize the establishment of annual goals and will be completed by April 15, 2010.

1c. Compensation and Classification

Observation

The University has not established and communicated salary administration rules, procedures and pay plans for all categories of positions. This elevates the risk of noncompliance with A&M System Regulation 31.01.01. Discussions with management indicated that due to current staffing levels, Human Resources management has, in general, not made publishing rules or procedures a priority.

Recommendation

Develop and implement a rule and written procedures to guide compensation and classification, as required by A&M System Regulation 31.01.01.

Management’s Response

Management concurs and is taking the following actions: Formal compensation rules and procedures are being written to guide management in making fair and equitable decisions related to new hires, promotions, transfers, demotions and other compensation related decisions. The target completion date for a final draft is April 1, 2010. The fiscal year 2010 pay plan is posted on the HR website.

2. Compliance with University Rules and Procedures

2a. Faculty Hiring

Observation

The University’s faculty hiring procedures do not ensure operational efficiency and compliance with University rules is not documented. The University’s faculty hiring procedures do not ensure hiring files comply with relevant University rules and the University’s Search Committee Guide. The University has not communicated clear
expectations regarding the documentation required to be maintained for supporting hiring decisions. Additionally, a number of the University procedures are duplicative and present opportunities for streamlining to improve efficiency and compliance. The following issues were noted:

- For 42% (5 out of 12) of the faculty hiring decisions reviewed, the hiring file did not include an applicant pool record to document the reasons for hire or non-hire for each applicant considered, as required by the University’s Search Committee Guide.

- For 83% (10 out of 12) of the hiring decisions reviewed, there is no evidence of the provost’s prior approval of the academic department’s Request to Recruit. University Rule 12.99.99.C1.01, Recruitment & Appointment of Faculty, requires all Requests to Recruit be forwarded to the provost for review and approval. While noncompliance could be mainly due to search committee oversight, provost approval may be seen as duplicative since the provost approved the faculty position during the budgeting process. EOE management indicated it is planning on discontinuing this requirement with the new online applicant tracking system.

- There is no evidence of an EOE meeting with the search committee for 83% (10 out of 12) of the hiring decisions reviewed. University Rule 12.99.99.C1.01 requires the EOE to advise college search committees and administrators and provide them with written guidelines for conducting searches.

- For 33% (4 out of 12) of the hiring decisions reviewed, there is no evidence that a search committee was involved. University Rule 12.99.99.C1.01, Recruitment & Appointment of Faculty requires the dean to appoint a search committee to develop a pool of qualified applicants, review the applicants, and interview those who appear to be best qualified. EOE management indicated it is confident that departments are utilizing search committees for the selection process and that the issue is inadequate documentation of search committee activities.

- For 33% (4 out of 12) of the hiring decisions reviewed, there is no evidence of the EOE’s prior approval of the advertisement in accordance with University rules. In addition, for 33% (4 out of 12) of the hiring decisions reviewed, there is no evidence of the provost’s approval of the advertisement. University Rule 12.99.99.C1.01 requires advertisements to be reviewed in advance by the provost and the director of EOE. EOE management indicated it is confident that the advertisements
2a. Faculty Hiring (cont.)

were reviewed and that the issue is that of missing documentation. The provost’s approval of the advertisement may be duplicative, following the provost’s approval of the budget and the Request to Recruit.

EOE management has not provided faculty search committees with formal clear expectations on the minimum requirements for hiring file documentation. The Equal Opportunity & Employee Relations’ Search Committee Guide, which includes many good ideas, is not strictly adhered to because it does not comprise sanctioned rules or pronouncements, but rather numerous recommendations. Management indicated the necessity to provide numerous recommendations as a way to provide search committees with flexibility. However, the flexibility has resulted in many inconsistencies and a high rate of noncompliance with University rules. Without a checklist, it is difficult for search committees to identify the minimum documentation requirements in an efficient manner. In addition, without a checklist, it is difficult for EOE to monitor hiring files for compliance in an efficient manner. The noncompliance may also be due to a lack of monitoring by the EOE. While Section 5 of University Rule 12.99.99.C1.01 requires faculty-hiring files to be submitted to EOE, some departments have not submitted the files. For the faculty-hiring files reviewed, 17% (2 out of 12) had not been submitted to EOE, despite the hires having been finalized in September 2008. In the cases where the hiring department submitted the files to EOE, it had not reviewed them to ensure that the documentation provided adequate justification for the selection in a consistent manner.

The University does not require search committee members to take hiring training as a prerequisite to their involvement in recruiting faculty. Training would provide them with the knowledge of the key requirements.

Recommendation

Improve compliance and operational efficiency of current faculty hiring practices by implementing the following:

- Strengthen guidance by establishing authoritative University pronouncements/rules to communicate direction and requirements. Revise the guide so it includes clear expectations of what is required. In addition, streamline current procedures for improved compliance and operational efficiency.

- Monitor hiring files for compliance with requirements.
2a. Faculty Hiring (cont.)

- Provide training to search committee members on the faculty hiring process, particularly the documentation requirements for hiring files.

Management's Response

Management concurs and is putting monitoring procedures in place as well as revising the guidelines and University rule to be clear regarding what is required. Monitoring procedures, revised guidelines and the University rule will be in place by April 15, 2010. Management has already taken the following actions: Developed a faculty online hiring process that will streamline hiring procedures and ensure accurate documentation is maintained. Target date for “going live” with the new process is March 1, 2010. A new Search Committee Briefing Checklist was developed in October 2009. To date, eleven search committees have been briefed using the new tool.

2b. Staff Hiring

Observation

The newly implemented PeopleAdmin Applicant Tracking System provides a good framework and starting point for the staff hiring process; however, Human Resources has not implemented a rule or a set of written procedures (including standardized forms and checklists) to help hiring supervisors navigate through the process. The unwritten procedures offer too many options with little by way of officially sanctioned rules. This has created inconsistencies with hiring, as the selection processes vary from over- to under-control. For example, the procedures do not specify circumstances in which a search committee must be formed. As a result, search committees are sometimes formed when they are not essential. For example, the review revealed that search committees were used for a large number of entry-level positions such as Groundskeeper I and Administrative Assistant.

Recommendation

Strengthen guidance by establishing authoritative formal written procedures that communicate clear expectations for the staff hiring process.

Management’s Response

Management concurs and is taking the following actions: The staff hiring process was recently mapped out with the assistance of a
consulting firm. This exercise has created the foundation to write clear and concise procedures for an improved staff hiring process. The PeopleAdmin system will be updated to generate more communication with supervisors regarding required steps. Checklists and standardized forms will be integrated to ensure all required documentation is collected. Formal written rules and procedures are being written to ensure consistency and provide guidance in staff hiring processes. The target completion date for the rule and procedure draft is April 15, 2010.

3. Employee Termination Process

Observation

The University’s current employee termination process does not ensure employees are removed from the A&M System training database, TrainTraq, in a timely manner. As a result, TrainTraq reports are often inaccurate and misleading. For example, the outstanding employee training report from TrainTraq as of September 1, 2009 inappropriately included more than 500 individuals that were no longer employed with the University. The terminations had occurred between September 1, 2008 and August 31, 2009. Discussions with management indicated that the terminated employees’ status had not been appropriately updated to “terminated” in the Budget/Payroll/Personnel (BPP) file.

Recommendation

Improve the accuracy of management information systems by accurately showing employees as terminated when they separate from the University.

Management’s Response

Management concurs and is taking the following actions: Reports are created in BPP Access database to identify employees who are no longer working and in active status. In October 2009, five hundred and forty-five employees who had not been paid since August 29, 2009 were changed from active to terminated in the BPP system. Regular reports are generated by Human Resources Office to identify employees in active status who were not paid within the last 30 days and records are updated as needed. More guidance and information are being provided to hiring units to ensure that where required, appropriate actions are taken to update employee status.
BASIS OF REVIEW

Objective

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

Criteria

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

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

Background

The Texas A&M University – Corpus Christi’s human resources management function is decentralized between the Human Resources and Equal Opportunity and Employee Relations (EOE) departments. Human Resources aims to “provide quality service in collaboration with others to promote a positive work environment.” The EOE’s mission is to “support University employees in their employee relations, equal opportunity, and professional development inquiries.” The EOE addresses issues about employment, professional development, and effectiveness.
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PROJECT SUMMARY

While Texas A&M University - Central Texas generally has processes and procedures in place to direct University personnel in the effective administration of human resources management, compliance with faculty and staff hiring procedures needs significant improvement. The monitoring of decentralized faculty and staff hiring processes does not ensure compliance with relevant A&M System regulations and University rules. Departments are not consistently retaining hiring documentation to support hiring decisions made. Criminal history record information checks are not being adequately documented. Positions have been reclassified, and new titles and salaries were awarded without the required approval of the Human Resources Department.

In fiscal year 2010, the University became Texas A&M University - Central Texas, after having been the Tarleton State University - Central Texas campus since 1999. Prior to the separation, the human resources management functions were overseen by the Tarleton State University Human Resources Department. As of September 1, 2009, Texas A&M University – Central Texas became responsible for the human resources management function.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Hiring Processes

Observation

The University’s monitoring of decentralized hiring processes does not ensure compliance with relevant A&M System regulations and University rules.

The University is not consistently retaining adequate documentation to support faculty and staff hiring decisions. Although the University has processes and procedures in place for hiring file documentation and retention, the University has not communicated or enforced clear expectations regarding these processes and procedures to the hiring departments. Without monitoring processes in place for decentralized human resources responsibilities, the University is unable to ensure that established procedures for identifying and hiring the most qualified candidates
are being followed and that compliance with applicable laws, regulations, rules and procedures is achieved.

The University hired 33 employees and 20 adjunct faculty members in fiscal year 2009. We selected 18 of the 33 employees hired for testing. We were unable to locate any hiring documentation for four (22%) of the employees selected for testing. Of the 14 hiring files reviewed, seven (50%) contained no interview notes or documentation of candidate responses, nine (64%) contained no selection criteria or candidate scoring and ranking information, four (29%) contained no documentation indicating whether other candidates were interviewed, and five (36%) contained no documentation that past employment or reference checks had been verified.

Criminal history record information checks are not being adequately documented to ensure compliance with the A&M System regulation. We reviewed the personnel files for 20 employees and 12 adjunct faculty members hired in fiscal year 2009. Of these, 18 (90%) of the employee personnel files and eight (67%) of the adjunct faculty member personnel files contained no documentation indicating that a criminal history record information check had been performed. The lack of documentation makes it impossible to verify that these required checks have been performed, placing the safety and welfare of students, employees and the general public at risk.

When the University separated from Tarleton State University on September 1, 2009, several positions were reclassified to more accurately reflect the job duties and responsibilities of the positions. We identified 22 position descriptions that had not been approved by the Human Resources Department as of this review, although the employees had been given new titles and corresponding pay increases effective September 1, 2009. Although job studies were completed by the Central Texas Human Resources Department, management made changes to the position descriptions, but never obtained approval for the final position descriptions. The failure to obtain all required approvals for personnel actions involving job duties and responsibilities, as well as education and work experience requirements, increases the likelihood that employees could be placed in positions for which they are not qualified.

**Recommendation**

Provide training to hiring supervisors to ensure they are familiar with all policies, regulations, rules and procedures associated with the University’s hiring process. Consider centralizing the retention
of all hiring files with the Human Resources Department. Develop and implement a monitoring program to promote compliance with hiring procedures and ensure hiring departments are accountable for retaining appropriate hiring documentation as required by University rules and procedures.

Develop processes and procedures for conducting and documenting criminal history record information checks for all new hires, including adjunct faculty members.

Review the job study information originally compiled by the Human Resources Department to ensure the position descriptions require the necessary education and work experience. Verify the qualifications of the employees currently holding each of these positions to ensure they meet the requirements.

Management’s Response

**Hiring Processes**

- The Human Resources Department currently requires a face-to-face meeting with all hiring committees prior to beginning the hiring process for all faculty and staff recruitments. The Human Resources Department informs all committee members of all policies, regulations, rules, and procedures associated with the University’s hiring process. This process was implemented in September 2009.

- The Human Resources Department now provides each hiring committee member with a recruitment packet containing all required documentation. This process was implemented in September 2009.

**Criminal History Background Checks**

- The Human Resources Department now completes criminal history background checks on all new employees (faculty and staff) before an official offer of employment is offered. This process was implemented in September 2009.

- The Human Resources Department created a spreadsheet to track the status of criminal history background checks. This process was implemented in January 2010.
Recruitment/Hiring Files

- The Human Resources Department now reviews the hiring file prior to the offer being made. All hiring files are then maintained by the Human Resources Department. This process was implemented in September 2009.

- The Human Resources Department is in the process of auditing all recruiting/hiring files for recruitments that were filled September 1, 2009 and after to ensure compliance. This process should be completed by March 2010.

Job Studies

- The Human Resources Department will request updated position descriptions for all employees during the next performance evaluation process (April 2010). The Human Resources Department will complete an analysis of the position description forms and the qualifications of the employees in the positions. Inconsistencies will be addressed. This process should be completed no later than December 2010.

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review the University's hiring processes related to the interview, evaluation and selection of candidates, and the subsequent documentation of these processes to ensure compliance with applicable laws, policies, regulations and rules. Our review focused on the period of September 1, 2008 to September 30, 2009. Fieldwork was conducted in September and October 2009.

Criteria

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

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

Background

On September 1, 2009, the Tarleton State University - Central Texas campus became Texas A&M University - Central Texas. Prior to that time, the human resources management function was the responsibility of the Tarleton State University Human Resources Department, with the assistance of a Central Texas human resources generalist. On September 8, 2009, Texas A&M University - Central Texas hired a Director of Human Resources, doubling the department’s staff to two employees. The department is currently following the rules and procedures of Tarleton State University until they can develop their own rules and procedures.

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PROJECT SUMMARY

Overall, Texas A&M University has controls and processes in place over the Student Health Center to reasonably assure that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Opportunities for improvement are available in the write-off of emergency medical services accounts receivable and control of pharmacy inventory adjustments.

The Student Health Center, a department within the Division of Student Affairs, provides medical services to students through a general clinic, women’s clinic, pathology lab, radiology lab, physical therapy unit, pharmacy and emergency medical services. The Student Health Center had over 64,000 patient visits in fiscal year 2009.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Write-off of EMS Accounts Receivable

   Observation

   The emergency medical services (EMS) function at the Student Health Center has over $100,000 in outstanding non-student accounts receivable dating back to fiscal year 2006. No accounts receivable have been written off in the past five years. Approximately $59,000 of these accounts receivable are over two years past due and may need to be written off. As a result of ineffective monitoring and collection efforts, revenues from non-student billings have been lost. In fiscal year 2009, one action taken by management in an effort to improve collection efforts was to move the collection process of past due accounts from a third-party provider back to the University.
Recommendation

Continue with improvements for the monitoring and collection of EMS accounts receivable. Write off accounts determined to be uncollectible, following the collection and write-off requirements of System Regulation 21.01.04.5, Extension of Credit.

Management’s Response

Management acknowledges the EMS accounts receivable should be addressed in a more timely fashion and significantly aged receivables resolved. Accounts receivable have been reviewed and appropriate valuation accounting entries made. For uncollectable accounts, required procedures are being performed and documentation has been prepared and will be updated throughout the year for submission to Financial Management Operations as part of the fiscal year end write-off process. Departmental accounts receivable and collection procedures have been updated to appropriately manage remaining and new accounts receivable.

Implementation date: August 31, 2010.

2. Pharmacy Inventory Adjustments

Observation

All five employees in the Health Center’s pharmacy have the ability to make adjustments to the pharmacy inventory information system. A lack of knowledge by the pharmacy personnel of inventory adjustment procedures was being relied on as a control mechanism. Also, an available inventory adjustment report is not reviewed. As a result, the internal controls over the pharmacy inventory could be bypassed and drugs could be lost or diverted without detection. The Texas Administrative Code requires access to information resources be managed to ensure authorized use.

Recommendation

Restrict the right to make inventory adjustments on the pharmacy’s inventory information system to supervisory personnel. As a monitoring mechanism, have an employee external to the pharmacy regularly review adjustments made to the inventory.
Management’s Response

Management concurs that tighter pharmacy control of drug inventory is needed. The pharmacy management system was changed to limit the permission to adjust drug inventory to only the pharmacy unit manager (Chief Pharmacist). A monthly drug adjustment report is forwarded to Student Health Services administration for review and approval.


BASIS OF REVIEW

Objective and Scope

Review and assess the University's controls and processes over the Student Health Center to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. The review of the Student Health Center focused on financial operations, disbursements, emergency medical services, and human resources. Activities related to these areas were reviewed for the period of September 2008 to August 2009. Fieldwork was conducted September to December 2009.

Criteria

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

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

The Student Health Center’s mission is to provide Texas A&M University students with quality programs of preventive, therapeutic, and primary medical care services, and to educationally prepare them with diverse strategies for success in preserving health and promoting wellness. The Student Health Center is accredited by the Association for Ambulatory Health Care, College of American Pathologists, and the Texas Department of State Health Services.

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PROJECT SUMMARY

Texas A&M International University's management processes for Student Health Services provides reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. A change in executive management of Student Health Services occurred in August 2008. Under this change in leadership Student Health Services' employees have taken a more proactive role in informing the student population of services offered by the health, counseling, and disability operations. Student Health Services has since noted an increase in patient case loads of approximately 60% between fiscal years 2008 and 2009 while Counseling and Disability Services have noted increases of 161% and 28%, respectively. Improvements to management processes can be made through formalization of goals, objectives, and performance measures and segregation of student worker accounts used to access the Counseling Services patient record system.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Goals, Objectives, and Performance Measures

Observation

Formalized goals, objectives, and performance measures for Student Health Services are currently under development. Activities such as outreach programs and case load analysis are currently being performed by health, counseling and disability operations and were identified by employees as informal departmental performance targets. While prior management had not emphasized this management tool, the Dean of Student Success, who currently oversees Student Health Services’ operations, has directed health, counseling and disability employees to begin compiling information for goals, objectives, and performance measures. These performance targets were to be reviewed and formalized at a staff retreat in October 2009.
Absence of goals, objectives, and performance measures increases the risk that executive management cannot hold departments accountable for the performance of their operations, particularly as the department experiences growth.

**Recommendation**

Formally implement goals, objectives, and performance measures for Student Health Services’ operations to evaluate departmental performance. Analyze results of performance measures on a regular basis, at least annually, and make adjustments as appropriate.

**Management’s Response**

As noted in the observation above, goals, objectives and performance measures were developed at the staff retreat held on October 16, 2009, and a copy is attached as Appendix A.

2. Electronic Patient Record Access

**Observation**

Counseling Services’ student workers share the same account information, both username and password, to gain access to the electronic patient record management system, Titanium. This system was implemented in August 2009. While restrictions have been set to only allow student workers access to the scheduling feature of Titanium, separate login information has not been addressed as a security measure. Sharing of usernames and passwords reduces accountability for those accessing the system and an individual audit trail cannot be generated.

Texas Administrative Code Rule 202.75, Section 3, Identification/Authentication states that each user of information resources shall be assigned a unique identifier except for situations where risk analysis shows no need for individual user accountability. Given the confidential nature of information contained within the Titanium system, individual user accountability is necessary.

**Recommendation**

Develop individual accounts with separate usernames and passwords for student workers accessing the Titanium electronic records management system. Ensure passwords meet established restrictions and are changed regularly.
Management’s Response

We agree and as of October 10, 2009, all student workers have been provided with individual accounts with separate usernames and passwords to access Titanium. The passwords are changed every 180 days, and the system automatically reminds users when passwords are required to be changed.

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review the management processes in Health and Counseling Services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. The review focused on activities from September 2008 through August 2009. Fieldwork was conducted in October 2009.

Criteria

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

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

Background

Texas A&M International University’s Student Health Services are organized under the University’s Division of Student Success. Health, counseling and disability services are committed to enhancing the educational experience of students by reducing student risks for injury and illness, providing appropriate counseling, testing, advocacy, psycho-education, training, and referral services, and empowering students with disabilities to
accomplish academic goals by ensuring accessibility to University programs. Annual expenditures incurred by these three areas in fiscal year 2008 were approximately $500,000.

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Appendix A

Office of Student Counseling and Disability Services

GOAL 1:
Provide support programs, services and activities that promote student learning, and enhance student development.

OBJECTIVES
• Inform student population about personal wellness/mental health through live and virtual outreach programs, events, strategic marketing and collaboration with other departments.

• Increase direct counseling services including individual, couple and group counseling for personal, academic, and substance use/abuse issues.

• Continue to develop relationships with faculty, staff and administrators across campus through collaborative outreach, consultation, and committee membership.

GOAL 2:
Provide increased support and guidance for our growing number of students with disabilities to enable academic success and graduation.

OBJECTIVES
• Determine appropriateness of accommodations, case management and degree progress for students with disabilities by scheduling regular consultations and/or advising.

• Request faculty feedback through surveys and determine efficiency of Disability Services processes including faculty notification, testing, note taker recruitment, facility requests, medical emergencies, etc.

PERFORMANCE MEASURES/OUTCOMES:
• Reports from Titanium by month, semester and academic year will help to track counseling and outreach services.
  o Outreach success is operationalized at 50% of TAMIU enrollment. SCS clinical success is defined by clinic usage set at 5% of total enrollment.

• SCS/DSS students will be satisfied with services/accommodations provided. Satisfaction surveys will be administered at the end of each semester to DSS students.
  o Faculty surveys will be administered at the end of each semester.
  o DSS Coordinator will schedule individual meetings with disabled students twice per semester to ensure appropriateness of accommodations and/or advocacy.
  o Satisfaction surveys will be administered upon termination of counseling sessions to SCS students.
Student Health Services

GOAL 1:
Provide support programs, services and activities that promote student learning, and enhance student development.

OBJECTIVES
• Inform students on the importance of staying healthy by promoting outreach programs and events.

• Enhance women wellness services by maintaining Women’s Wednesdays (the clinic focuses on women’s issues and exams on Wednesdays).

• Enhance and update the SHS website to reflect services and programs available.

GOAL 2:
Provide service and outreach activities to University students in a professional, courteous, efficient, and timely manner.

OBJECTIVES
• Collaborate with outside community professionals to provide additional educational opportunities for students.

• Effectively plan outreach programs during the academic year.

• Coordinate with faculty and staff to enhance participation during outreach activities.

PERFORMANCE MEASURES/OUTCOMES
• Increase awareness of services and student clinic visits by 10% to be measured by student appointments and sign-in sheets at the clinic.

• Satisfaction Surveys will be administered at the end of each outreach program.
PROJECT SUMMARY

Overview

Overall, Texas A&M University has processes in place to provide reasonable assurance that the Education Research Center is in compliance with state and federal laws related to the interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board (THECB), and the Texas Education Agency (TEA). The Education Research Center operated within its contractual requirements; however, opportunities for improvement were noted in the documentation of procedures, timeliness of time and effort reporting, and physical key controls.

The Education Research Center, established in July 2007, is one of three Education Research Center's created in Texas to maintain a warehouse of student data and conduct research using this data. The Education Research Center received initial funding of $1,050,000 to establish the center.

Summary of Management's Response

The management of the State of Texas Education Research Center agrees with the recommendations. Management has addressed the recommendations regarding procedures documentation and physical key controls, and action is underway to address timeliness of time and effort reporting.

Scope

The interagency agreement with the THECB and TEA requires Texas A&M University to obtain an audit of the Education Research Center annually. The review of the Education Research Center focused on expenditures and contract compliance. Our review did not include a detailed review of data security or a penetration test as the Education Research Center had already arranged for a data security review and penetration test to be conducted by the THECB. The audit period was September 1, 2008 through August 31, 2009. Fieldwork was conducted during September 2009.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Procedures for Downloading Student Data

Observation

The Education Research Center has developed a policies and procedures manual for student data access and review; however, the process of downloading student data from the THECB electronic data warehouse to the Education Research Center server is not included in the manual. Without formal, documented procedures to direct activities, new and existing employees may not have the information needed to perform their responsibilities in adherence to requirements established by the University and department management. Documented procedures, reviewed and approved by management, provide a method to ensure that adequate internal controls are in place, and assist with continuity should employee turnover occur.

Recommendation

Document the student data download process in the Education Research Center's policies and procedures manual.

Management's Response

A document which specifies the steps to be followed in downloading student data has been added to the Education Research Center's policies and procedures manual. These procedures have been approved by the management of the Education Research Center.

2. Time and Effort Reporting

Observation

Five of seven (70%) time and effort reports reviewed were not submitted by the due date. Principal investigators approved and submitted the reports 10 to 153 days after the established due date. Effort reports verify that payroll costs on research projects are appropriate and applicable. Without an effort report to substantiate payroll expenses, payroll expenses may be disallowed by the sponsor or auditors. Principal investigators have not prioritized reviewing and approving time and effort reports. Time and effort reporting procedures, including due dates, have been established by
2. Time and Effort Reporting (cont.)

University Rule 15.01.01.M1.01, Sponsored Agreements Payroll Verification. Timely review and submission of time and effort reports reduces the risk of undetected errors and misallocation of personnel costs.

**Recommendation**

Develop and implement a process to ensure that time and effort reports are completed on a timely basis.

**Management's Response**

*The Texas A&M University System is currently in the process of implementing an electronic system for time and effort reporting. This implementation will be completed in fiscal year 2010. The new reporting system will provide electronic notifications to principal investigators or other key personnel on sponsored projects that require effort certifications, prompting the employee when a time and effort report is due. This system should provide additional controls to ensure that time and effort reports are completed and submitted on a timely basis.*

*In the interim, the Education Research Center will contact Research Services bimonthly to verify status of time and effort reports related to Education Research Center grants/projects. Follow-up emails will be sent to the principal investigator of any projects(s) for which the time and effort reports have not been submitted. This process will be in place by January 15, 2010, and will continue until the electronic system is fully operational.*

3. Physical Key Controls

**Observation**

The master key to the Education Research Center office suite was made available to all employees that were in the Education Research Center suite. An Education Research Center employee left the master key to the office suite hanging in the lock of her office door so it could be borrowed when necessary by employees who forget their keys. General office security controls suggest that office keys are issued to those individuals that have approved access and are not shared or loaned to other employees. Open access to master keys increases the risk of unauthorized access to assets and/or confidential information.
Recommendation

3. Physical Key Counts (cont.)

| Require employees to maintain control and responsibility for keys issued to them and not allow access to keys by unauthorized individuals. |

Management’s Response

| Written procedures for control and responsibility for keys have been developed and communicated to all Education Research Center employees who have been issued keys and will be communicated in the future to all new employees who are issued keys. The procedures address appropriate custody of keys so as to minimize potential access to keys by unauthorized individuals. |
BASIS OF REVIEW

Objective

The objective of the audit was to assess the University’s compliance with all terms and state and federal laws related to the interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board, and the Texas Education Agency to establish an Education Research Center at the University.

Criteria

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

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

Background

The interagency agreement between Texas A&M University, the Texas Higher Education Coordinating Board, and the Texas Education Agency provided the University with $1,050,000 in 2007 to create and operate a research center for a period of five years. The State of Texas Education Research Center at Texas A&M University studies major issues in education reform and school governance in order to improve policy and decision-making in P-16 education. The Education Research Center's interdisciplinary team of researchers investigates the nature and impact of school resources and educational practices that affect students' learning and close the achievement gap. In support of its mission, the Education Research Center conducts research in three areas: educator preparation; school finance, resources, and facilities; and curriculum and teaching methods.
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PROJECT SUMMARY

Overall, the recruiting, admissions, and enrollment management processes established by West Texas A&M University are effective in meeting the University’s enrollment goals and in providing reasonable assurance that students are admitted and graduate in compliance with applicable state laws and University requirements. Opportunity for improvement was noted in documenting authorization for user access to the recruiting system.

West Texas A&M University’s freshman enrollment for fall 2009 was 1,583. Total student enrollment for fall 2009 was 7,770. Over 50% of the students are first-generation students. The University has experienced an enrollment increase of 11% from 2003 through 2009. Minority enrollment has increased more than 40% over this time period.

The University has made significant investments in student recruitment and retention efforts in the past several years. The University has set enrollment goals as well as goals for improving services and programs delivered to students. Processes have been established to assess progress toward goals and objectives and make adjustments as necessary.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Formal User Access Process

Observation

There was no formal process for granting access to the client management system used for recruiting.

The University lacks a formal documented process to grant user access to the Enrollment Management and Admissions System (EMAS), a client management system used for recruiting. The EMAS system tracks all communication with prospective students and contains confidential student information including social security numbers, student identification numbers, grade point averages, and test scores. The Director of Admissions is the data
owner for this system. The Director and Assistant Director authorize users and set up user access on EMAS. However, user authorization is not documented. Users are required to go through training before they are allowed to access the system. The Admissions Office sends a work order to the Office of Information Technology to install the software on the user's computer. The Office of Information Technology contacts the Admissions Office to verify access authorization prior to installing the software. The EMAS system currently has a small number of users, most of which are in the Admissions Office. Therefore, the Admissions Office did not see the need for a formal, documented process for user authorization. Without a formal, documented process for user authorization and access, the risk is increased that confidential student information will become exposed.

Recommendation

Establish formal processes for creating, updating, and deleting user access to the EMAS system.

Management’s Response

A formal process for creating, updating, and deleting user access to the EMAS system has been developed. The process must be approved by the CIO and president’s office and implemented prior to activation of the EMAS system to the network. Activation of the EMAS system is expected to take place on February 9, 2010.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to review the University’s recruitment, admissions, and enrollment management processes to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, Higher Education Coordinating Board and University rules. Our review focused on student recruitment, admissions, retention, graduation, recruitment grant compliance, and goals, objectives and performance measure attainment for the period primarily from September 1, 2008 through August 31, 2009. Enrollment data was reviewed from fiscal years 2003 to 2009. Fieldwork was conducted during October and November 2009.
Criteria

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

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

Background

West Texas A&M University was established in 1909 in Canyon, Texas as the West Texas State Normal College for the education of teachers. Today, the University has a total enrollment of 7,770 students in 60 undergraduate degree programs and 43 graduate degree programs. In fall 2008, the University opened a branch campus in Amarillo, Texas with an enrollment of 761 students.

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PROJECT SUMMARY

The Texas A&M University System and its members have controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s (THECB) requirements for approval or re-approval of real property acquisitions, new construction projects, and repair and renovation projects. Approvals and/or re-approvals were appropriately obtained for the sample of projects tested in accordance with THECB rules in effect at the time of acquisition or construction.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the Texas A&M University System’s and its members’ compliance with the THECB’s rules associated with the approval or re-approval for real property acquisitions, new construction projects, and repair and renovation projects. A system-wide sample of submissions for approval or re-approval from fiscal year 2005 through fiscal year 2009 was reviewed. The audit team followed the THECB’s 2008 Facilities Audit Protocol as criteria for testing the audit sample.

THECB criteria in effect for the audit period require the following to be submitted to the THECB for consideration:

- New construction projects costing $1 million or more.
- Repair and renovation projects costing $2 million or more.
- Acquisitions of real property.
- Gifts or donations of improved real property.

THECB rules also require the following to be submitted for re-approval:

- Projects where total cost exceeds cost estimates by more than 10%.
• Projects where gross square footage is changed by more than 10%.

• Projects which have not been contracted for within 18 months from the final THECB approval date.

• Projects where any funding source of an approved project has been changed.

Fieldwork was conducted October 2009 through December 2009.

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 Higher Education Coordinating Board’s 2008 Facilities Audit Protocol, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Texas Education Code requires the Texas Higher Education Coordinating Board (THECB) to periodically conduct a comprehensive audit of all educational and general facilities on the campuses of public senior colleges and universities. The objectives of the audit are to determine whether institutions of higher education are accurately reporting facilities, have control systems in place over facilities development and management programs, have followed THECB rules and received approval by the Board and the institutional governing board for facilities projects, and that approved facilities projects have been completed as specified in the request. The THECB’s audit consists of two components, Institutional Facilities Inventory and Facilities Development Projects as identified in the 2008 Facilities Audit Protocol. This review addresses the Facilities Development Projects portion of the THECB’s audit.
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