SECOND QUARTER REPORT
FISCAL YEAR 2013

April 18, 2013
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M UNIVERSITY

Review of Tuition and Fee Revenue Management

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

Project #20120219
PROJECT SUMMARY

Overview

The controls over tuition and fee revenues at Texas A&M University provide reasonable assurance that tuition and fees are accurately assessed and collected in compliance with laws and policies. A significant opportunity exists to simplify the process for managing the thousands of different course fees being assessed by the University. The current process creates operational inefficiencies and additional compliance risks. In addition, improvements are needed in the course fee revenue information provided to the colleges and in the record retention of course fee information.

The University’s net tuition and fee revenues totaled $436 million for fiscal year 2012. Course fee revenues totaled $28 million which was seven percent of the University’s overall tuition and fee revenues.

Summary of Significant Results

Management of Course Fees

Operational inefficiencies and additional risks are created by the large number of course fees being managed by the University. Currently, there are approximately 9,300 applied course fees in addition to state tuition, designated tuition and designated differential tuition. The overall management of these course fees creates inefficiencies in the processing and reconciling of the fees; increases the risk of non-compliance with fee-related statutory requirements, and increases the complexity and understandability of student fee statements. Alternative funding methods, such as those allowed by Section 55.16 of the Texas Education Code, should be established to provide for a more effective and efficient process for generating needed revenues.
Summary of Management’s Response

Texas A&M agrees with the auditors’ assessment that there is an opportunity to simplify the course fee management process. We are committed to creating a more efficient course fee process that reduces the complexity for departments and increases the understandability for students. We will review alternative funding methods to ensure the university is utilizing the most effective and efficient processes for generating needed revenues.

Scope

The review of tuition and fee revenue management at Texas A&M University focused on tuition and fee charges, waivers and exemptions, tuition and fee reconciliations and course fee documentation. The audit period focused primarily on activities in fiscal year 2012. Fieldwork was conducted from July to October, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Management of Course Fees

Observation

Thousands of course fees create operational inefficiencies.

Operational inefficiencies and additional risks are created by the large number of course fees being managed by the University. Currently, there are approximately 9,300 applied course fees in addition to state tuition, designated tuition and designated differential tuition. The management of these course fees creates inefficiencies in the processing and reconciling of the fees; increases the risk of non-compliance with fee-related statutory requirements; and increases the complexity and understandability of student fee statements. These course fees include approximately 7,200 instructional enhancement fees, 1,400 distance education fees, 600 laboratory fees, and 100 field trip fees. There were approximately 7,000 courses offered at the University in fiscal year 2012 and some courses have more than one course fee (for the same course). Collectively, course fee revenues in fiscal year 2012 totaled seven percent ($28 million) of overall tuition and fee revenues ($436 million) for the University, the majority of which are instructional enhancement fees ($24 million).

The University has created a separate software application, the Course Fee Revision (CFR) system, to manage the annual course fee approvals. Although the CFR system is automated, the annual course fee approval process still has a significant manual component. Manual course fee request forms must be reconciled to the fee information in the system. The number of course fees continues to increase each year as the number of course offerings increase. For example, the number of instructional enhancement course fees increased nine percent in the last year from approximately 6,600 in fiscal year 2012 to 7,200 in fiscal year 2013. Since 2007, the number of instructional enhancement fees has increased 31 percent, from 5,500 to 7,200.

Instructional enhancement course fees were originally established as incidental fees governed by Section 54.504 of the Texas Education Code which states that the rate of the incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected. As a result, the University is required to keep detailed accounting records to be able to
1. Management of Course Fees (cont.)

demonstrate that each course fee can be traced to the actual costs of the materials or services used for that course.

Course fees at the University originated from the need to purchase equipment and materials for a course to support students enrolled in that specific course. It was intended to be a mechanism to collect direct course related costs from the students in that course.

Forty-eight of 58 (83%) course fees reviewed did not have the original course fee approval forms that provided the documentation to support why the fee was created and justified the rate being charged. As a result, the University was not able to provide information to support compliance with the statutory requirements that the rate of the course fee reasonably reflects the actual cost to the University of the materials or services for which the fee is collected. The original course fee approval documentation was not retained in compliance with the A&M System Records Retention policy.

The large number of course fees charged by the University has the following impacts:

- Increases the processing load on the student information system;
- Increases the need for programming changes every time a new course fee is added or modified;
- Increases the complexity of the reconciliation process between the fees charged in the student information system and the fees collected in the financial management system (This impact is further discussed in Observation 2);
- Increases the risk of customer dissatisfaction due to the complexity and lack of understandability of the student fee statements; and
- Increases the risk of non-compliance with the fee-related statutory requirements for both the rate-setting process and expenditure of course fee revenues.

More flexible alternatives exist for funding the costs associated with course enhancement fees. For example, fees may be created under Section 55.16 of the Texas Education Code, which provides more latitude in developing fees than Section 54.504 allows. The University recently eliminated several mandatory student fees created under Section 54.504 of the Texas Education Code and created a single University advancement fee. By doing something
similar for course enhancement fees, the University may not need to have individual course enhancement fees for each course, providing greater flexibility in managing these funds. This change could have a revenue neutral effect, while greatly reducing management costs associated with the current fee structure methodology. Another option would be to raise designated or differential tuition to cover the course enhancement fees that would be eliminated.

A prior internal audit of instructional enhancement fees, issued in December 2007, recommended that University management, “Review the costs and benefits of maintaining separate fee accounts and take advantage of any opportunities that provide more efficient administration of instructional enhancement funds. Additionally, consider replacing instructional enhancement access fees with other revenues to reduce the administrative burden of managing these fees.” While management considered this recommendation, instructional enhancement fees are essentially still being assessed the same way today as they were in 2007.

**Recommendation**

Alternative funding methods, such as those allowed by Section 55.16 of the Texas Education Code, should be established to provide for a more effective and efficient process for generating the needed revenues. Review costs and benefits related to alternative methods of funding to offset the elimination of the incidental course fees. The goal should be to significantly reduce the number of existing course fees in order to increase efficiencies and reduce overall costs related to managing these fees.

Review course fee procedures and include records retention requirements to ensure that documentation is maintained to justify the course fee charges as well as comply with A&M System records retention requirements.

**Management’s Response**

*Course fees have been in existence at Texas A&M since fall 2000. After the 2007 audit, the University developed procedures and standards for managing and monitoring course fees. The procedures implemented included requiring annual departmental reviews whereby departments reviewed revenue collections, appropriateness of expenditures, and certified that their balances are at appropriate levels.*

*The results of this audit make it apparent that additional work is needed. The Office of the Provost is working with colleges on a review of course fees, including improving efficiency in fee*
management and justifying those fees at the course level. If justification to the course level is not adequate, departments will be requested to propose alternative methods that will reduce the number of course fees. For any course fees retained, the justification documentation will be kept on file in the Office of the Provost in accordance with records retention requirements.

We will also review the statutory authority under which each fee is charged and evaluate alternative funding methods such as Education Code 55.16.

We anticipate a plan being developed by spring 2014 for implementing changes for the fall 2014 semester.

Target Implementation Date: August 31, 2014

2. Course Fee Reconciliations

Observation

Course fee revenues received by the colleges are not fully reconciled to ensure that fee revenues are accurately posted to fee accounts at the colleges. Difficulties in reconciling course fee revenue between the student information system (Banner) and the financial accounting system (FAMIS) are due to the large number of transactions and timing differences between the two systems. Data files of the individual course enrollment detail are provided to the colleges rather than formatted reports. In addition, timing of the data files does not always correspond to time periods needed for the reconciliation of the accounting records.

Each of the colleges has developed their own method of managing course fees which creates difficulties in requesting a standard report from Student Business Services for use in reconciling course fee information between Banner and FAMIS. Examples of inconsistencies in the allocation and accounting for these fees between the colleges include:

- Some colleges retain 10% of each course fee charged in the college at the dean’s office. The remaining 90% is allocated to academic departments in the college.

- Some colleges charge a single overarching course fee for all courses in that college. In addition, some courses in the college also have a course specific fee.
2. Course Fee Reconciliations (cont.)

- Some colleges post all course fee revenues from Banner to one FAMIS account. The funds are then allocated to the various course fee accounts in the departments within the college.

- Some colleges post course fee revenues from Banner directly to the various FAMIS accounts at the college and department level.

A consistent processing method to post course fee revenues from Banner to FAMIS at all colleges would provide for better efficiencies and standardized reports for all the colleges. Creating reports for the colleges and departments that include summary information as well as transaction details for fully reconciling course fee revenues also provides greater accountability and more useful information for managing fee revenues.

**Recommendation**

Review course fee management throughout the University and establish consistent processes to post revenues from Banner to FAMIS for each college’s accounts to the colleges. Create course fee reports from Banner to enable colleges to reconcile course fee revenues between Banner and FAMIS.

**Management’s Response**

A work group was created with representatives from Student Business Services (SBS), Enterprise Information Systems (EIS), and the Academic Business Officer Council (ABOC) to develop a common set of standards for reporting fees at the college level. SBS and EIS are in the process of creating two separate reports in Banner that will enable colleges to reconcile course fee revenues between Banner and FAMIS. These reports will be created and set up for monthly distribution to colleges by May 31, 2013.

Target Implementation Date: May 31, 2013
BASIS OF REVIEW

Objective

The objective of this audit was to review controls over tuition and fee revenues to determine if tuition and fees are accurately charged and collected in compliance with laws and policies, and determine if tuition and fee revenue information is available for decision-making purposes.

Criteria

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

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

Background

The University’s net tuition and fee revenues totaled $436 million for fiscal year 2012. Collectively, course fee revenues in fiscal year 2012 totaled seven percent ($28 million) of overall tuition and fee revenues ($436 million) for the University, the majority of which are instructional enhancement fees ($24 million).

Instructional enhancement fees are charged to students based upon the specific courses in which they are enrolled. The fee is used for salaries, the purchase and maintenance of equipment, visual aids, other supplemental materials and educational supplies to provide students with a rich learning environment. Instructional enhancement fees for non-distance education courses range from $0 to $200 per course and fees for distance education courses range from $0 to $1,500 per course.
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M AGRILIFE RESEARCH AND EXTENSION SERVICE

Review of Environmental Health and Safety and 4-H Youth Program Safety

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

Overview

4-H youth program safety documentation and employee safety training processes at Texas A&M AgriLife Research (AgriLife Research) and Texas A&M AgriLife Extension Service (AgriLife Extension) require significant improvement to ensure that a safe environment exists for 4-H youth participants and Agency employees. Opportunities for improvement were also noted in the areas of safety inspections, environmental management system, and written operating procedures for environmental health and safety processes. Preparation of a comprehensive risk assessment to identify and analyze safety risks and the corresponding controls and resources needed to mitigate these risks is needed to address most of the issues identified in this report. Our review of the administration of hazardous chemicals located outside of Brazos County indicated that the chemicals are properly inventoried and safely stored in accordance with Agency procedures.

Summary of Significant Results

4-H Youth Program Safety Documentation

Documentation for selected 4-H youth events hosted by AgriLife Extension was not adequate to facilitate monitoring and ensure compliance with youth safety requirements. Required liability waiver and medical treatment authorization forms were not available for a large percentage of youth participants tested. In addition, documentation of required background checks was not consistently available for adult volunteers tested. Without adequate safety documentation and oversight there is an increased risk of injury to youth event participants and corresponding liability to the Agency.
Safety Training

Current processes do not ensure that all employees receive the necessary safety training in a timely manner. Testing indicated that a significant number of employees (30%) with potential exposure to hazardous chemicals and substances did not complete hazardous communication training in a timely manner. Four of the employees have never completed the training and the remaining 15 employees completed the training an average of 196 days after their hire date. In addition, occupational safety training for employees is not formally identified and documented to provide assurance that employees complete all necessary safety training based on potential work hazards related to their job responsibilities. Lack of timely safety training increases the risk of serious injury to employees resulting from work place hazards.

Summary of Management’s Response

We agree with the auditor’s recommendations. Implementation of some of these recommendations has already begun, however, as noted, some will take longer to put in place and some will require further analysis. The Agencies are committed to ensuring the safety of all employees, volunteers and camp participants as well as compliance with all safety requirements.

Scope

The review of environmental health and safety and 4-H youth program safety focused on AgriLife Research and AgriLife Extension locations outside of Brazos County and included environmental health and safety processes related to safety inspections, hazardous chemical administration, employee safety training, and 4-H youth program safety. The audit period focused primarily on activities from September 2011 to August 2012. Fieldwork was conducted from December 2012 to February 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. 4-H Youth Program Safety Documentation

Observation

Safety documentation for youth events was not adequate to facilitate monitoring and ensure the safety of youth participants.

Safety documentation related to 4-H youth events hosted by AgriLife Extension requires significant improvement to better facilitate monitoring and ensure the safety of youth participants. The following weaknesses and instances of non-compliance in youth event safety documentation and processes were noted for thirty-three 4-H youth events tested in twelve districts and three statewide programs:

- Liability waiver and medical treatment authorization forms were not available for 237 of 304 (78%) youth participants.

- Documentation indicating that criminal conviction background checks were completed was not available for 18 of 112 (16%) volunteers involved with these events.

A&M System regulations and AgriLife Extension procedures related to camps and programs for minors require criminal conviction and sex offender background checks be conducted on all individuals hired or assigned to employee or volunteer positions involving contact with minors at a camp and program. In addition, AgriLife Extension 4-H Youth Development & Program Guidelines require completed waiver, indemnification, and authorization for medical care forms for each 4-H youth event. In some cases, it was indicated that these required safety forms and documentation were prepared but not retained by employees overseeing the 4-H youth event.

Further monitoring is needed to ensure all safety requirements are being followed for these events especially due to the number of youth participants involved. Without properly completed safety forms and documentation to facilitate monitoring, there is an increased risk of personal injury to a minor due to lack of medical treatment authorizations and inadequate screening of volunteers for youth programs. The recent implementation of the 4-H Connection online program will help facilitate increased monitoring and documentation of many of these safety requirements.
Recommendation

1. 4-H Youth Safety Documentation (cont.)

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<td>Increase monitoring to ensure all youth safety requirements are properly followed for 4-H events including required forms and waivers as well as required background checks for adults involved with these events.</td>
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<td>Maintain all safety-related documentation in accordance with A&amp;M System records retention requirements and ensure personnel are aware of these requirements.</td>
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<td>Continue current efforts to increase the use of the 4-H Connection online program.</td>
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Management’s Response

Texas A&M AgriLife Extension Service will ensure that all employees involved in youth events are trained and knowledgeable of youth safety requirements. In addition all volunteers that are assisting in multi-day or overnight events, where they are chaperoning or have full supervisory duties over youth kept apart from their parent(s) or legal guardian(s) will receive child abuse training.

Monitoring will be increased to ensure all youth safety requirements are being properly followed and required documentation is retained according to A&M System records retention requirements including liability waivers, medical treatment authorization forms, and required background checks. The required forms were being completed but in the past were not being maintained by our office in all cases. 4-H Specialists are now keeping copies of all liability waivers and medical treatment authorizations for a period of two years. Additionally, all liability forms are now completed online using the enrollment system (4-H Connect). Implementation date: February 28, 2013.

Efforts will continue to be made to increase the use of the “4-H Connect” program.
2. Safety Training

Observation

Current processes do not ensure that all employees receive the necessary safety training in a timely manner.

Testing of employee hazardous communication (HazCom) training at three AgriLife Research and AgriLife Extension Centers indicated that 19 of 63 (30%) employees required to take this training did not complete the training in a timely manner. Four of the employees have never completed the training and the remaining 15 employees completed the training an average of 196 days after their hire date. Nine of these employees took the training during the audit fieldwork in December 2012. The responsibility for employee safety training lies primarily with each AgriLife Research and AgriLife Extension location and increased monitoring and enforcement is needed to ensure all employees receive appropriate safety training prior to the use or exposure to workplace hazards. In addition, the A&M System’s TrainTraq system is used by AgriLife Research and AgriLife Extension for this required training; however, employees were not consistently assigned this training within the system at the time of their employment. Occupational safety training for employees at the Centers was also not formally identified based on the employee’s specific duties and job responsibilities and was not consistently documented to provide assurance that employees completed all necessary safety training.

The Texas A&M AgriLife Research and AgriLife Extension Hazard Communication Program states that employee education and training are essential components of the program and training of new or newly assigned employees will be given before the employee works with or handles hazardous chemicals. The Texas A&M System Risk Management Standard for Agriculture and Forestry Safety states employees involved in agriculture and forestry programs are exposed to a wide range of potential hazards such as the operation and transport of mechanized equipment and the application of pesticides and chemicals. The standard also requires that documented training be provided to employees related to safe operating procedures for identified hazards.

Recommendation

Increase monitoring and enforcement of safety training requirements at the AgriLife Research and AgriLife Extension Centers to ensure that all employees with potential exposure to hazardous chemicals receive safety training prior to initial exposure to these chemicals. Assign this training to new
2. Safety Training (cont.)

employees that require such training in the TrainTraq system at the time the employee is hired and set due dates to utilize the automated features within the system to help monitor and track employee safety training for timely completion.

Identify and document the occupational safety training needs for each AgriLife Research and AgriLife Extension employee based on their specific duties and job responsibilities. Ensure the employee completes the required safety training and that documentation is retained in accordance with the A&M System records retention requirements.

Management’s Response

A safety training form will be developed for use at all off-campus AgriLife Research and Extension Centers. The form will be utilized during new employee orientation and will be used to track all safety training for employees. Hiring supervisors will complete the form prior to employee orientation to allow time for TrainTraq assignments. Any online training not within TrainTraq will be coordinated and assigned through AgriLife EHS. Applicable trainings will be completed prior to the use of or exposure to anticipated workplace hazards. Once the form is complete it will be placed in the assigned Laserfiche training folder. The assigned training folder will centralize all trainings and allow for increased monitoring. A standard operating procedure will be developed to standardize and document trainings across all off-campus AgriLife Research and Extension Centers. Implementation date: August 31, 2013.

3. Safety Risk Assessment

Observation

A formal risk assessment is needed to identify, analyze, and address safety risks.

Completion of a formal risk assessment and analysis is needed to identify and analyze the environmental health and safety risks at all AgriLife Research and AgriLife Extension locations and the corresponding resources needed to address these risks. AgriLife has multiple locations related to its research and extension activities including 13 district Centers plus satellite offices, the Brownwood Center, and the Fort Stockton Office which are geographically dispersed throughout the state. Although extra duty safety officers (32 safety officers) have been assigned at each location, there are only 1.8 full-time equivalent AgriLife Environmental Health and Safety Office (EHS) staff members to provide oversight and support for the safety personnel and processes at these locations. A formal risk assessment will
3. Safety Risk Assessment (cont.)

provide management with the means to determine if adequate controls and resources are in place to effectively address the identified environmental health and safety risks for all locations and activities. The lack of available EHS staff resulted in several of the issues identified in this report such as the frequency of environmental health and safety inspections, follow-up inspections, reviews of safety training, and the development and maintenance of an environmental management system.

The Treadway Commission’s Committee of Sponsoring Organization’s “Internal Control - Integrated Framework” states that the process of identifying and analyzing risk is an ongoing iterative process and is a critical component of an effective internal control system. Along with assessing risks, management should identify and put into effect actions needed to address the risks including control activities to help ensure that the actions are carried out properly and in a timely manner. In addition, the “Environmental Management Guide for Colleges and Universities” published by the Environmental Protection Agency recommends a systematic approach to providing a healthy and environmentally sustainable campus. This approach includes identification of risk factors and compliance requirements as part of the planning process.

Recommendation

Prepare a formal risk assessment to identify and analyze environmental health and safety risks related to research and extension activities at all AgriLife Research and AgriLife Extension Service locations and the corresponding controls needed to address these risks. This approach should be documented and discussed with upper management. Utilize this risk assessment to assess the number of EHS personnel needed to effectively oversee and administer environmental health and safety controls and operations.

Management’s Response

The Agencies will continue to prepare an annual agency-wide enterprise risk plan, which includes consideration of environmental health and safety risks. This plan is discussed at all employee levels, with decisions ultimately being made by upper management. The plans are then submitted to the A&M System Risk Management and Benefits Administration Office. Additionally, the Management Review Team has completed a risk matrix on each reviewable unit within the agencies. An analysis will be performed to include environmental health and safety in the matrix. Implementation date: November 30, 2013.
3. Safety Risk Assessment

Safety monitoring processes need improvement to ensure facilities and laboratories remain safe.

Additionally, a cost-benefit analysis will be performed to examine the possibility of increasing the number of EHS personnel needed to oversee and administer environmental health and safety controls and operations based on the results of the environmental health and safety risk assessment processes above. The results of this review will be presented to upper management for consideration. Completion of cost-benefit analysis: December 31, 2013.

4. Safety Inspections

Observation

Testing at three AgriLife Centers determined that 34 of 190 (18%) prior safety deficiencies identified during safety inspections had not been corrected or were not in the process of being corrected. The following deficiencies were noted in the safety monitoring processes:

- Scheduling and frequency of safety inspections are not based on the associated safety risks with higher safety risk facilities requiring more frequent inspections.
- Safety deficiencies noted are not separately rated based on the severity of the deficiency and no implementation date is included in which the deficiency is required to be corrected.
- No ongoing status update is provided by the Centers to indicate the progress made in addressing safety deficiencies identified.
- A formal follow-up safety inspection process is not in place to ensure safety deficiencies are addressed in a timely manner.

Detailed inspections of fire/life safety, lab safety, shop safety, and agricultural safety and pollution prevention are conducted and significant safety deficiencies noted are addressed at the time of inspection. Inspection results are then documented and reported to management. However, due to resource and time limitations of EHS staff, these inspections have primarily been coordinated with AgriLife Management Review Team (MRT) visits to Centers located outside of Brazos County and a follow-up inspection process has not been implemented. Texas A&M System Supplemental Risk Management Standards requires periodic sampling and follow-up evaluations when monitoring results indicate a risk of potentially harmful occupational exposures. Prioritization of safety deficiencies with assigned implementation dates allow these deficiencies to be tracked and monitored through follow-up inspections.
**Recommendation**

4. Safety Inspections (cont.)

Management should direct personnel to address all safety deficiencies noted during inspections in a timely manner.

Improve the current safety inspection process by preparing a risk-based safety inspection schedule to determine the inspection frequency necessary to ensure a safe working environment. Also assess and rate the associated risk of safety deficiencies identified during inspections and set the required implementation date for corrective actions based on the corresponding risk.

Develop and implement a follow-up inspection process to include formal tracking of all safety deficiencies identified including regular status updates of corrective actions taken and scheduled follow-up visits based on the stated implementation dates to ensure appropriate corrective actions have been taken.

**Management’s Response**

*Management will direct personnel to address safety deficiencies noted during inspections in a timely manner.*

As mentioned above, a cost-benefit analysis will be performed which will initially include the cost of inspecting all facilities once every 18 months to increase the frequency of inspections. Until a decision is reached, we will continue to inspect all facilities on a regular basis. The inspection reports resulting from these reviews will subsequently serve as a risk assessment going forward and follow-up inspections, or more frequent full inspections, will be scheduled as needed based on the perceived risks resulting from these inspections.

Safety inspections will continue to be conducted using the iForms application. Items listed in the inspection will be categorized as “Significant Deficiency”, “Deficiency” and “Item of Concern.” All significant deficiencies will be addressed at the time of inspection or shortly thereafter. All other deficiencies will include a time frame for correction and a formal follow-up process. This process will entail an additional status report 30 days after the initial response to the report with photos documenting that the deficiency has been corrected. Implementation date: December 31, 2013.
5. Environmental Management System

Observation

An environmental management system to manage the Agency's environmental programs in a comprehensive, systematic, planned and documented manner has not been formally developed for AgriLife Research and AgriLife Extension in accordance with A&M System Policy 24.01, Risk Management. This policy requires that each System member develop an environmental management system that identifies significant environmental interfaces and manages these on a priority basis. In addition, the Environmental Protection Agency’s “Environmental Management Guide for Colleges and Universities” states that using an environmental management system will allow schools to take a more holistic view of their campus and work together to improve their overall environmental performance. EHS staffing has not had sufficient time available to devote towards formally developing and sustaining an environmental management system.

Recommendation

Commit the ongoing resources needed to develop and maintain an environmental management system for AgriLife in compliance with A&M System policy and regulations.

Management’s Response

Parts of the environmental management system are in place and work continues in other areas. One priority has been to improve fuel storage at all facilities. This has been accomplished in several phases by replacing old aboveground fuel tanks with new double-walled tanks. Other initiatives include implementation of Spill Prevention Control and Countermeasure Plans (SPCC), recycling, and environmental permit coordination and tracking. An environmental management committee will be appointed as required by System Policy 24.01 and a formally documented plan that addresses all relevant environmental areas will be developed. The committee and documented plan will be in place by August 31, 2013.
6. Written Operating Procedures

Observation

Standard operating procedures have not been fully developed to support safety processes performed by EHS.

The EHS Office does not have a comprehensive set of internal operating procedures to support safety processes related to environmental health and safety inspections, follow-up inspections, and employee safety training. Although some procedures have been developed, there has not been sufficient time available for EHS to prepare operating procedures for all safety processes. Without detailed internal operating procedures, safety processes may not be effectively implemented. The Treadway Commission’s Committee of Sponsoring Organization’s “Internal Control - Integrated Framework” states that control activities involve development of procedures to affect established policies.

Recommendation

Develop and implement comprehensive written internal operating procedures in the above areas. Ensure these procedures are easily assessable and updated as needed in a timely manner.

Management’s Response

Written procedures will be developed to address inspections, follow-up inspections, and employee safety training. Implementation date: December 31, 2013.
BASIS OF REVIEW

Objective

Review governance and risk management processes and controls at Texas A&M AgriLife Research and the Texas A&M AgriLife Extension Service to determine if selected environmental health and safety functions at decentralized locations are operating effectively to better ensure that a safe environment exists and that the Agencies are in compliance with laws and policies.

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 AgriLife Research and Texas A&M AgriLife Extension Service Procedures; Texas A&M AgriLife Extension 4-H Youth Development & Program Guidelines; the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control – Integrated Framework; federal and state laws; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

AgriLife Research and AgriLife Extension have 13 district Centers plus satellite offices, the Brownwood Center, and the Fort Stockton Office which are geographically dispersed throughout the state. Each location has assigned an extra duty safety officer. The AgriLife Environmental Health and Safety (EHS) Office oversees environmental health and safety processes and personnel at these locations. The EHS Office has 1.8 full time equivalent staff members and an annual operating budget of approximately $150,000. AgriLife Extension’s 4-H and Youth Development Office has a staff of 36 that administers the Agency’s 4-H and youth development program in Texas which serves approximately 600,000
Youth per year and as many as 30,000 adult volunteers to run events and camps.

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TEXAS A&M UNIVERSITY

Review of the Department of Recreational Sports

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

Overview

In the Department of Recreational Sports at Texas A&M University significant improvements are needed in the processes and controls that ensure the safety of students travelling with sport clubs and youth event participants. Required driver training and automobile insurance documentation were not consistently available for sport club trips tested. Detailed participant rosters and required forms were also not available for certain youth events sponsored by the Department. The Department had 316 organized student trips, including 266 for sport clubs events, and sponsored eight youth events that hosted over 3,100 participants under the age of eighteen during fiscal year 2012.

Controls reviewed within the Department for cash receipts and procurement card transactions provide reasonable assurance that these processes are operating effectively and in compliance with laws and policies.

Summary of Significant Results

Student Travel

Processes and controls for sport clubs are not in compliance with various student travel safety rules and procedures. All six (100%) sport club trips tested that used large capacity vans were missing documentation of required driver training for these vehicles. In addition, fourteen (61%) of twenty-three sport club trips tested that had student drivers were either missing required insurance information or it could not be readily determined if insurance was current at the time of the trip. Lack of compliance with safety rules and procedures increases the risk of injury to students and corresponding liability to the University.

Youth Event Safety

Documentation for youth events hosted by the Department was not adequate to facilitate monitoring and ensure compliance with
youth safety requirements. One large tournament tested had no detailed roster of participants or staff/volunteers to verify the completion of required safety requirements. Another large tournament tested did not have required liability waivers and medical treatment authorization forms for four (13%) of thirty participants tested. Without adequate safety documentation and oversight there is an increased risk of injury to youth event participants and corresponding liability to the University.

Summary of Management’s Response

The Department of Recreational Sports’ mission is to provide high quality programs, facilities, and services to the University community. Implementation of the recommendations detailed in the audit report will further enhance administrative processes and controls in regards to student travel and youth safety. Additional detail is provided within the individual audit responses.

Scope

The review of the Department of Recreational Sports at Texas A&M University focused on safety processes and controls related to student travel and youth events, cash receipts, and procurement card transactions. The audit period focused primarily on activities from September 1, 2011 to August 31, 2012. Fieldwork was conducted from October to November, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Student Travel

Observation

Student travel processes are not in compliance with various safety rules and procedures.

Processes and controls over student travel need improvement to ensure compliance with various University safety rules and procedures. Thirty student trips were selected for testing including twenty-five for sport clubs, four for outdoor adventures, and one for intramurals. The following weaknesses were noted:

- The liability waivers used by Sports Clubs are not the official University form. University Standard Administrative Procedure 13.04.99.M1.01, Student Travel Procedures requires use of the Office of General Counsel approved Waiver, Indemnification, and Medical Treatment Authorization form.

- Completed liability waiver forms for student travel are retained by the Department up to ten years in some cases which is not in accordance with the current A&M System Records Retention Schedule.

- All six (100%) sport club trips tested that used large capacity vans were missing required driver training documentation for some or all drivers of these vehicles. University Standard Administrative Procedure 24.01.01.M0.01, Van Safety Procedures requires that drivers receive large capacity van operation instruction as provided by Transportation Services or some other form of certification documenting completion of appropriate training. The current Sport Clubs Guidebook requires drivers to complete large capacity vehicle training, but does not address maintaining documented evidence of the training to verify that drivers receive this training prior to operating a large capacity van.

- Fourteen (61%) of twenty-three sport club trips tested that had student drivers contained instances where the student driver did not provide required automobile insurance information or it could not be readily determined from documentation that insurance was in place at the time of the trip. University Standard Administrative Procedure 13.04.99.M1.01, Student Travel Procedures requires that students operating university-owned or leased vehicles or privately owned vehicles for
1. Student Travel (cont.)

organized student travel possess personal automobile insurance coverage as mandated by the State of Texas. Drivers on student trips are required to complete an annual driver agreement but all sections of the agreements were not consistently completed, including personal automobile insurance coverage, and there is not a sufficient process to ensure the insurance information provided is current at the time of the student trip. In addition, annual driver agreements could not be located for 11 (8%) of 143 student drivers for the 25 sport club student trips tested.

- The Review of Travel Listing document was not consistently filled out according to the document instructions for sports club trips. More than 80% of the student trips listed on this document, all of which were for sport club travel, were missing either the initials or date of the individual certifying that waivers had been received from all travel participants and all travel documentation had been sent to the Critical Incident Response Team (CIRT) prior to the departure date as required.

Lack of compliance with safety rules and procedures related to student travel especially driver safety training and insurance increases the risk of injury to students and corresponding liability to the University.

**Recommendation**

Use the University’s official Waiver, Indemnification, and Medical Treatment Authorization form as required for all student travel.

Require all student drivers to provide documentation to support successful completion of required driver training prior to operating a university-owned, leased, or rented vehicle including large capacity vans. Verify that this information has been provided prior to the trip as required.

Enhance monitoring to ensure all sections of the Driver Agreement form are completed including personal automobile insurance coverage. Ensure that all driver agreement forms are received and reviewed prior to student trips to ensure personal automobile insurance coverage is current at the time of the travel.

Reinforce the need for sport club personnel to include both their initials and the date when certifying that waivers have been received and travel documentation has been sent to CIRT on the Review of Travel Listing document.
1. Student Travel (cont.)

Reassess the current method of organizing and storing student travel documentation to better facilitate monitoring of this documentation for compliance with student travel requirements. Consider maintaining this documentation in an electronic format for greater organization and efficiency. Ensure compliance with the A&M System Records Retention Schedule and dispose of student travel documentation being maintained beyond the stated record retention period.

Management’s Response

Rec Sports will submit their Sport Clubs Travel Waiver to the Office of General Counsel for review and written approval for use in lieu of the standard university form. Use of an approved waiver is expected to be in place by July 31, 2013.

Implementation Date: July 31, 2013

To ensure drivers have received training for the operation of large capacity vans for requested rentals or unanticipated substitutions of vans, all Sport Clubs will be required to have four current members who have completed the training. A copy of the training completion certificate will be maintained by Sport Clubs. The file used to monitor drivers has been modified to include information on members eligible to drive large vans. Prior to each trip, the required trip request form will be reviewed to ensure there are enough eligible drivers available to operate large vans. Additionally, a list of eligible drivers for large vans will be provided to Enterprise Rentals with instructions to not rent large passenger vehicles to club members who are not on the provided list. Sport Clubs will provide Enterprise Rentals with an updated list of the eligible drivers every other week.

Implementation Date: April 30, 2013

Monitoring of driver agreements and personal automobile coverage will be increased. All driver agreement forms will be reviewed for completeness upon submission. Additionally, club members will be required to submit a copy of their current insurance with the form. The Driver Agreement electronic file used to monitor status will be updated based on submitted information. The Driver Agreement electronic file will be reviewed on or before the 10th of each month to identify individuals whose insurance information is expired or will expire within the month and request updated information. Sports Club members without a complete agreement or current personal automobile insurance will not be approved to drive on student trips.

Implementation Date: March 31, 2013
1. Student Travel (cont.)

**Safety documentation for youth events was not adequate to facilitate monitoring and ensure the safety of youth participants.**

Sport Clubs staff have been made aware of the importance of certifying the receipt of waivers and submission of CIRT information. Beginning fall 2012, every trip is initialed and dated by our Sport Clubs staff once information has been entered and submitted to the CIRT program and waivers have been received. Additionally, we will continue to work with Student Activities on the distribution of automated notifications that confirm receipt of CIRT submissions.

**Implementation Date: July 31, 2013**

The staff will research new opportunities for electronic filing and storage for travel documentation to better facilitate monitoring of this documentation for compliance with student travel requirements. In addition, we will research the feasibility of adding a time/date feature to assist in deleting records once they have passed the required A&M System Records Retention date. A filing and storage method will be determined and an implementation plan developed by July 31, 2013.

**Implementation Date: July 31, 2013**

2. Youth Event Safety

**Observation**

The Department’s documentation related to youth safety at department sponsored youth events is inadequate to facilitate monitoring and ensure the safety of youth participants. Four youth events were selected for testing including two large tournaments and two smaller events. The following weaknesses in youth event safety documentation and processes were noted:

- One large youth tournament tested (volleyball) which had approximately 680 youth participants, did not have liability waivers and medical treatment authorization forms for four (13%) of 30 participants tested for this event. The filing cabinets where youth program documentation is maintained were not secured resulting in potentially missing or misfiled documents.

- One large youth tournament selected (men’s lacrosse) which had approximately 800 youth participants did not have a roster of the participants or staff/volunteers available. As a result, no testing could be performed to verify that all required forms, training, and background checks were completed for this event.
2. Youth Event Safety (cont.)

A&M System Regulation 24.01.06, Camp and Programs for Minors requires criminal conviction and sex offender background checks be conducted on all individuals hired or assigned to employee or volunteer positions involving contact with minors at a camp and program. In addition, University Standard Administrative Procedure 11.99.99.M1.01, Camp and Enrichment Program Procedures requires each camp or program participant to complete a medical treatment authorization form and a liability waiver. Without properly completed safety forms and detailed event rosters to facilitate monitoring, there is an increased risk of personal injury to a minor due to lack of medical treatment authorizations and inadequate screening of volunteers/staff for youth programs.

Recommendation

Ensure all youth participants complete a liability waiver and medical treatment authorization form prior to attending a Recreational Sports sponsored youth program. Ensure that detailed participant rosters and volunteer/staff listings are maintained for each youth event to facilitate monitoring for compliance with requirements related to camps and programs for minors.

Limit access to liability waivers, medical treatment authorizations, emergency contact information, and other youth program documents to ensure the files remain secure and organized to facilitate monitoring. Consider maintaining this documentation in an electronic format for greater organization and efficiency. Ensure compliance with the A&M System Records Retention Schedule and dispose of youth event safety documentation being maintained beyond the stated record retention period.

Management’s Response

For programs subject to Standard Administrative Procedure (SAP) 11.99.M1.01 (revised and renumbered to 24.01.06.M0.01), procedures will be reviewed and modified as necessary to ensure liability waiver and medical treatment authorization forms are collected prior to the program and participant rosters and volunteer/staff listings are maintained.

Under the revised SAP, certain tournaments such as the two referenced in the report, do not meet the requirements of SAP 24.01.06.M0.01. Procedures will be developed regarding Sport Clubs tournaments. These will include the following process to ensure liability waiver and medical treatment authorization forms have been completed for youth participants prior to their participation. Forms will be submitted by each participating
2. Youth Event Safety (cont.)

Team/group with an individual team roster to the Sport Clubs office at least 1 week prior to the event, along with a total number of participants. At the event site, prior to each team’s first game, participants must check in with the event supervisor to ensure the players and waivers match before participation. In addition, Sport Clubs must submit a roster of workers/volunteers and their child protection training certificates at least one week in advance of the event to the Sport Clubs office.

**Implementation Date: March 31, 2013**

To ensure the limited access to youth program and tournament documents, Sport Clubs will lock all documents in a filing cabinet that is located inside a locked storage area. As referenced in response 1-Student Travel above, the staff will research new opportunities for electronic filing and storage of documentation to better facilitate monitoring for compliance. In addition, we will research the feasibility of adding a time/date feature to assist in deleting records once they have passed the required A&M System records retention date. A filing and storage method will be determined and an implementation plan developed by July 31, 2013.

**Implementation Date: July 31, 2013**
BASIS OF REVIEW

Objective

The objective of the audit was to review controls at the Department of Recreational Sports to determine if processes related to cash receipts, procurement card transactions, and safety of students and youths are operating effectively and in compliance with laws and policies.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Rules and Standard Administrative Procedures of Texas A&M University; Department of Recreational Sports procedures; the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Department of Recreational Sports falls under the Division of Student Affairs at Texas A&M University. The Department's mission is to provide quality programs, services and facilities; encourage active healthy lifestyles; and enhance student development by providing leadership and employment opportunities. The Department recently reduced its staff from 65 to 35 permanent employees due to the outsourcing of the University’s facility and custodial functions as well as the University golf course. The Department also employs approximately 615 student workers who play an important role within the Department. Although originally established to organize intramural sports opportunities for students, the Department has developed a diverse offering of programs and services to meet the complex needs of today's University
community. The seven major programming areas within the Department are Intramurals, Sport Clubs, Aquatics, Group Exercise, Personal Training, Massage Therapy, and Outdoor Adventures. In addition to the Student Recreation Center, departmental facilities include the Penberthy Rec Sports Complex, Polo Stable and Barn, East Campus Rugby Pitch, and Disc Golf Course.
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M UNIVERSITY – KINGSVILLE

Review of Financial Management Services

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

Project #20131701
PROJECT SUMMARY

Overview

Overall, the controls established over the financial management services’ operations at Texas A&M University – Kingsville provide reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with applicable laws, policies, regulations and rules, except in the area of student accounts receivable. The University’s current student accounts receivable collection processes do not ensure compliance with state law and A&M System regulations. Opportunity for improvement also exists in the area of bank and clearing account reconciliations.

Detailed data analysis was performed on all fiscal year 2012 expenditure transactions processed on vouchers and procurement cards, as well as, all expenditure transactions related to payroll. Minimal issues were noted indicating that adequate controls are in place over these types of expenditures.

Summary of Significant Results

Student Accounts Receivable

Student accounts receivable processes do not ensure compliance with state law and A&M System regulations. The review found a high error rate for compliance exceptions in demand letters to debtors, state warrant holds, collections and write-offs, and retention of historical collection documents. A lack of effective controls over the student accounts receivable process increases the University’s risk of loss of student owed funds. Delinquent student accounts receivable totaled over $2.3 million for fiscal year 2012. Turnover in the management of student accounts receivable contributed to the compliance issues noted in this report.

Summary of Management’s Response

The University agrees with the results and appreciates the guidance from the audit team. We have begun implementing new processes
to ensure compliance with state law and A&M System regulations. In addition, the University will explore additional solutions to improve the control over the student accounts receivable process and decrease the risk of loss due to student owed funds.

Scope

The review of financial management services’ operations at Texas A&M University – Kingsville focused on the areas of bank and clearing account reconciliations, student accounts receivable, procurement cards, expenditures, payroll, working funds, and deposits. The audit period focused primarily on activities from September 1, 2011 to August 31, 2012. Fieldwork was conducted from October to December, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Student Accounts Receivable

Observation

Student accounts receivable collection processes do not ensure compliance with state and A&M System requirements. The loss of University funds is increased without an effective and timely collection process over student accounts receivable. Of the twenty-five delinquent student accounts reviewed, fifteen (60%) were missing documentation to record historical collection efforts made on the accounts. Thus, there were no records to indicate if the University had been aggressive in its efforts to collect funds owed from students. A&M System Regulation 21.01.04, *Extension of Credit* states that documentation of all attempts to collect the debt must be recorded and maintained on file. Employee turnover in student accounts receivable occurred in August 2011 and historical information was not retained by the prior employee. The current employee responsible for student accounts receivable started the collection process over in December 2011 by sending new demand letters to delinquent accounts. The University reported approximately $8.2 million in student accounts receivable at the end of fiscal year 2012, an increase of over 30% from the prior fiscal year. Of the fiscal year 2012 amount, approximately $2.3 million (28%) is considered delinquent, over 90 days past due.

The review found additional compliance exceptions with the timeliness of demand letters, the state warrant hold list, and collections and write-offs of accounts, as discussed below.

Demand Letters

Payment demand letters were not issued timely, within 30 days of account delinquency, for 9 of 25 (36%) accounts reviewed. For 11 of 25 (44%) accounts reviewed, the date of the demand letter could not be determined. In addition, second demand letters were not issued timely for 13 of 14 (93%) accounts reviewed. Without timely notification to students the risk increases that delinquent accounts will not be collected.

Student accounts receivable collection efforts are not tracked by student resulting in an inability to determine the number of demand letters sent to a student. Tracking of accounts receivable collection
efforts consists of a spreadsheet by semester of outstanding accounts along with the student’s name and address which is mail merged with the demand letter on a specific date. The date of the demand letter is then documented on a calendar to keep track of when the next demand letters should be sent. Additionally, separate letters are sent depending on the type of debt (i.e. emergency loan, book loan, library fines, etc.). Therefore, an individual student could receive multiple demand letters in a semester if he/she had more than one type of debt. Consolidating all outstanding loans into one demand letter would be a more efficient and effective process. A&M System Regulation 21.01.04 requires there be no more than two demand letters sent to debtors. The first demand letter should be sent no more than 30 days after the obligation has become delinquent, and the second demand letter should be sent 30 – 60 days after the first demand letter.

State Warrant Hold

Thirteen of 25 (52%) delinquent accounts reviewed were not placed on the state’s warrant hold list, within a reasonable period of time, as required by A&M System regulations. Five of the 13 (38%) accounts have not been placed on the state’s warrant hold list as of this review. A&M System Regulation 21.01.04 requires System members to utilize the state comptroller’s warrant hold process when a debt is determined to be delinquent, and to ensure payments are not issued to the individual or entity that is indebted to the state. Current student accounts receivable procedures state that accounts receivable are deemed delinquent, after the last day of the last installment date during a long semester.

Collections & Write-offs

For delinquent accounts over one year past due, 9 of 17 (53%) were not sent to an outside collection agency. Of these 9 accounts, 8 (89%) were also not written-off. Student accounts receivable procedures do not specify when accounts should be sent to collections or written-off, which leads to inconsistency in the treatment of delinquent student accounts receivable.

Recommendation

Develop and implement guidelines over accounts receivable to improve the University’s ability to collect outstanding student accounts receivables. The guidelines should address historical documentation requirements, the timely issuance of demand letters, submission of the account to a collection agency, application of the state warrant hold, and when to write-off a delinquent account. Consider consolidating all outstanding loans for each student into
1. Student Accounts Receivable (cont.)

Management’s Response

The University agrees with the points listed above and is working diligently to implement the recommendations.

Effective January 14, 2013, the University reorganized the student account department allowing the collections area to employ tighter measures to comply with the recommendations of the audit. Banner consultants have been retained to train every member of our staff who has access to student accounts. The Banner consulting team will be on campus the weeks of February 11 and February 18, 2013.

Demand Letters

In accordance to A&M System Regulation 21.01.04, the University updated procedures and revised the demand letter to include all debts owed by the student; this update was effective February 1, 2013. Additionally, the revised procedures clearly state the student obligation becomes delinquent after the last day of the last installment date.

In February 2013, a new folder will be created in Laserfiche for the University to store copies of the original demand letters addressing historical documentation requirements. Also in February 2013, the Associate Director of Student Accounts/Loans & Collections will begin confirming, on a monthly basis, that these files are being stored in the correct folder in a timely manner.

State Warrant Hold

Effective January 2013, we began placing individuals on state hold after the last day of the last installment date according to the University’s procedures. Also, beginning in February 2013, the University will automate the state warrant hold process by utilizing an FTP file feed to FAMIS.

Collections & Write-Offs

Effective February 2013, the University will amend our procedures to clearly state when the delinquent account is to be sent to collections and when the account is to be written off. Furthermore, we will have all required outstanding items written off by August 31, 2013. The University is also exploring options with Banner, Touchnet, and Campus Loans Manager to find the best software to automate the
2. Account Reconciliations

Observation

Current bank and clearing account reconciliation processes do not ensure the timeliness of reconciliations and the timely clearing of reconciling items.

Bank and clearing account reconciliation processes require improvement to ensure that reconciliations are completed and outstanding items are identified and cleared in a timely manner. Of the 15 reconciliations reviewed, three (20%) were not conducted timely. Four of the remaining twelve (33%) reconciliations reviewed did not include the preparer date and/or the reviewer date to determine the timeliness of the reconciliation. Furthermore, outstanding reconciling items exceeded 90 days for eleven of the fifteen (73%) reconciliations reviewed.

Current Business Office reconciliation procedures lack a clear definition of the preparer and reviewer responsibilities in the reconciliation process. For example, there is no requirement that the preparer and reviewer initial and date the reconciliations. Implementation of this process would aid management in monitoring the timeliness of reconciliations. Without adequate review and monitoring of reconciliations the risk of errors, discrepancies or misappropriations occurring and not being detected in a timely manner is increased. Management was aware of this issue and indicated that staff turnover has hindered the timeliness of the reconciliation process.

Recommendation

Establish monitoring processes to ensure reconciliations are prepared and reviewed timely, and that all outstanding items are cleared in a timely manner. Update departmental procedures to appropriately define the role of the preparer and reviewer to ensure management’s ability to monitor the reconciliation process and assign employee accountability.

Management’s Response

The University is in agreement with the recommendation that the bank and clearing account reconciliations, as well as updating of the reconciliation processes and procedures require improvement.

As of January 2013, departmental procedures were updated to better define the role of the preparer and reviewer, which will aid in clearing the outstanding items in a timely manner and assist the
supervisor/account manager to monitor the process. The procedure includes the requirement of bank and account reconciliations to be prepared, reviewed, and cleared promptly. The update ensures that the outstanding items are cleared within 90-days as recommended by the auditors. In addition, the preparer and reviewer will initial and date the reconciliations upon completion to ensure accountability.
BASIS OF REVIEW

Objective

The overall objective of this audit was to review the financial and management controls over the University's financial management services' operations to determine if resources are used efficiently and effectively; assets are safeguarded; and compliance is achieved with applicable laws, policies, regulations and University 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; Texas A&M University – Kingsville Rules and procedures; 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’ “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

Financial management services’ operations at Texas A&M University – Kingsville are within the division of Fiscal Affairs and include Accounting, Business Services, Strategic Sourcing and General Services, and Payroll. The mission of the division of Fiscal Affairs is to provide a wide variety of support services and financial stewardship to the entire academic community. In fiscal year 2012, the University had annual operating expenditures of approximately $125 million.
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M UNIVERSITY – CORPUS CHRISTI

Enrollment Management Audit

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

Project #20131501
PROJECT SUMMARY

Overview

The recruiting, admissions and enrollment management processes at Texas A&M University – Corpus Christi generally ensure resources are used effectively and efficiently and in compliance with laws, policies and regulations. Weaknesses were noted in the admissions process, particularly regarding health screenings for international students. Opportunities for improvement were also identified in the graduation and academic standing review processes.

The University reported total enrollment of 10,508 for the fall 2012 term, a 3.4% increase from fall 2011. Undergraduate enrollment represents 80% of total enrollment. The University has recently reorganized the enrollment management organizational structure to create depth in reporting lines. The University is also working with an enrollment management consulting firm to review and enhance certain areas of the student recruitment, admissions and enrollment management functions.

Summary of Management’s Response

Texas A&M University - Corpus Christi agrees with the recommendations and will make improvements in the administration and oversight of the admissions, graduation review, and academic standing review processes. In addition, internal procedures for financial and academic standing reviews will be enhanced.

All recommendations will be implemented by September 30, 2013.

Scope

The review of enrollment management at Texas A&M University – Corpus Christi focused on admissions and graduation processes; student financial and academic standing processes; and bacterial meningitis and records retention requirements. The audit period primarily covered activities from January 2012 to September 2012. Fieldwork was conducted from October to November 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Admissions Process

Observation

<table>
<thead>
<tr>
<th>International student admissions requirements for health screenings are not enforced and certain student admission fees in the University catalog are not current.</th>
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<tr>
<td>Of 30 international student admission files tested, 26 (87%) did not have health screening documentation as required by the University catalog. The catalog requires international students to “provide documentation from a U.S. health care provider of a negative TB skin test (Mantoux tuberculin test) or negative chest X-ray.” University Health Center management had stopped collecting this information from international students but did not notify other University management of this change. The University administration became aware of the change in the summer of 2012, and a task force was formed to determine how to proceed. The task force is in the process of developing a revised policy to address health requirements for international student admissions. International student health screening requirements have been suspended in the interim. Health screening requirements for international students must be adequately addressed as the health of all students on the University campus could be affected.</td>
</tr>
<tr>
<td>Freshman and international student admission fees listed in the University undergraduate catalog are outdated. Increased fees were appropriately approved and are being charged to students. University management thought the appropriate process had been followed to update the catalog; however, the corresponding changes were not made. University catalogs should contain the most current information so that prospective and current students, along with University employees, have accurate, reliable, and consistent information available to them.</td>
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Recommendation

| Place high priority on the development, finalization and implementation of required health policies for international students. Ensure employees involved in the admissions process, including those external to the Office of Admissions, are aware of the requirements and comply with them. Update publicized international student admissions information to reflect the new requirements and monitor to ensure the requirements are being adhered to. |
1. Admissions Process (cont.)

Ensure changes made in admissions requirements are captured in the University catalog.

Management’s Response

A task force was charged in summer of 2012 to develop and implement a revised TB policy to address health requirements for all new English as a Second Language International program and direct entry international students. These students are now required to complete a screening questionnaire and students coming from countries where there is a high incidence of TB will be required to be tested for TB. A hold will be placed on their record which will prevent them from registering for second semester classes until they comply with this requirement. Complete awareness and process training on health policies for personnel in the Health Center, International Education Office and Office of Admissions will be completed by April 30, 2013. The TB policy will be publicized in the online University Catalog 2013-2014 and the web sites of the Office of Admissions, Registrar, International Education Office, College of Graduate Studies and Health Center by September 30, 2013.

A change in the application fee for students was updated on November 9, 2012. By September 30, 2013, all requirements will be captured in the University Catalog 2013-2014. The Office of Admissions will work closely with the Provost and Vice President for Academic Affairs Office to review and ensure that all changes and new admission requirements have been updated.

2. Graduation Review Process

Observation

Student transcripts may not be accurate due to incomplete processing of information in Banner.

Course information in the student information system, Banner, had not been completed for 13% (6 of 45) of graduating student files reviewed. For these students, the Apply to Learner Outcome field in Banner was not checked for one or more of the student’s transfer courses that applied to their degree. These transfer courses will not appear on the student’s transcript if the field is not checked.

University procedures for awarding graduate and undergraduate degrees include a review step to verify that any courses taken by graduating students that apply to the student’s degree is checked in the Apply to Learner Outcome field. The University employee previously assisting with the graduation review process was not following this procedure and did not understand the consequences of not completing this particular field.
2. Graduation Review Process (cont.)

Recommendation

Ensure employees are aware of the significance of performing all steps in the graduation review process, including completion of the Apply to Learner Outcome Banner screen. Monitor as necessary to ensure graduation review processes are being adhered to.

Management’s Response

The University has addressed this matter by having IT write a script that will update learner outcomes on transfer work. This script will update students who are pursuing one baccalaureate at a time. Those pursuing dual degrees will be updated manually. This manual update has been added to the registrar’s audit checklist. Commencing with the May 2013 graduation clearance and at the beginning of every semester, training of appropriate staff will occur to ensure that appropriate employees are aware of the significance of performing all steps in the graduation review process. This recommendation will be fully implemented by September 30, 2013.

3. Academic Standing Review Process

Observation

Notification letters for graduate students placed on scholastic probation included the wrong required minimum grade point average. The letters relayed the graduate students’ grade point average had fallen below the required 2.0 minimum, which is the requirement for undergraduate students. According to the University Graduate Catalog, graduate students are required to maintain a minimum grade point average of 3.0. Each of the notification letters for the five graduate students reviewed who were placed on scholastic probation included the incorrect grade point average. The University Registrar’s Office is responsible for sending all scholastic probation notification letters. The letter template was not updated with graduate student requirements after undergraduate letters had been created using the same template. The graduate students received incorrect information which could cause confusion regarding University requirements.

Recommendation

Ensure notification letters issued to graduate students not in good academic standing accurately reflect the University requirements needed to achieve good academic standing, including the appropriate minimum grade point average.
Management’s Response

3. Academic Standing Review Process (cont.)

Internal procedures for financial and academic standing reviews are not well documented.

Beginning spring of 2013, the College of Graduate Studies has assumed responsibility for sending out academic standing letters for all graduate students. To ensure academic standing information is up-to-date, all grades are compared with specific program requirements. All academic standing change entries in the student information system will be completed by the Registrar’s Office in order to have a check and balance system in place. This recommendation will be fully implemented by June 30, 2013.

4. Internal Procedures

Observation

Internal procedures for financial standing reviews of all students and academic standing reviews for graduate students only are not sufficient to ensure employees unfamiliar with the processes would have proper guidance to perform the reviews. While employees did appear to have a good understanding of the review processes and no financial or academic standing exceptions were identified, inadequately documented procedures can result in employees being unaware of University requirements or inconsistent application of the requirements among reviews performed. A strong control process along with well documented procedures and trained employees minimizes the risk of inaccurate financial and academic reviews for students.

Recommendation

Develop thorough written internal procedures for the financial standing and graduate student academic standing review processes. Review the procedures on a regular basis, making updates as necessary and ensure employees are trained on the procedures.

Management’s Response

The University will review current financial standing review (deregistration) procedures and update them to provide additional detailed instructions by August 31, 2013. Currently, the University has three employees trained and able to work on financial standing reviews. The College of Graduate Studies will develop internal procedures for graduate student academic standing review processes by August 31, 2013. Procedures will be reviewed on a regular basis, updated as necessary, and employees trained.
BASIS OF REVIEW

Objective

The objective of the audit was to verify the admissions and graduation processes, the financial and academic drop processes, and bacterial meningitis processes adhere to applicable laws and University requirements. In addition, determine if opportunities for improvement exist within these operations and if best practices identified at other universities can be applied.

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 other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' “International Standards for the Professional Practice of Internal Auditing.”

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

Background

Texas A&M University – Corpus Christi’s Momentum 2015 Strategic Plan includes a goal of increasing the total student population to 12,000 by 2015. In fall 2012, the University’s total enrollment was 10,508, 80% of which are undergraduate students. The University offers bachelor’s, master’s and doctoral degrees in five colleges: Business, Education, Liberal Arts, Nursing and Health Sciences, and Science and Engineering.
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TARLETON STATE UNIVERSITY

Review of Student Housing

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

Overview

Overall, the financial and management controls over Tarleton State University’s housing program provide reasonable assurance that the University is operating in compliance with applicable laws and policies. Some opportunities for improved controls were noted in the areas of financial management, key returns, and position descriptions.

The Department of Residential Living and Learning (RL&L) is responsible for managing and operating campus student housing and is undergoing strategic and organizational changes. A consulting firm is currently under contract to develop the University’s Housing Master Plan and to provide a housing market analysis to help determine future housing needs.

Summary of Management’s Response

Residential Living & Learning (RL&L) will benefit from the implementation of the recommendations made. This review highlighted areas that can benefit from tighter controls and RL&L will make staffing, software and process changes by fall 2013 to address the observations outlined in this review.

Scope

The review of the University’s student housing operations focused on the areas of cash receipts; billing; financial accounting and reporting; receivables; deferred maintenance; reserves; rates; and safety and security. The audit period focused primarily on activities from September 1, 2011 to October 30, 2012. Fieldwork was conducted from October 8, 2012 to November 30, 2012.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Financial Management

Observation

Opportunities exist to improve controls over financial management practices.

Opportunities exist to strengthen RL&L financial management practices and controls. Improvements can be made in the areas of financial reporting, accounting, and cash handling as noted below:

- **Financial Reporting** – Periodic financial statements are not being prepared for RL&L. While the current practice in RL&L is to review weekly printouts of the Financial Accounting Management Information System (FAMIS) operating and reserve accounts to monitor the financial status of various RL&L operations, these FAMIS accounts are residence hall specific for the newer buildings, and there is an aggregated FAMIS account for the older residence halls. Individually, these FAMIS accounts do not provide the broader view of the RL&L that a comprehensive financial statement would provide. For example, profit and loss of overall housing operations is not captured in individual accounts. A&M System regulations on financial reporting states that academic institutions are encouraged to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of operations of auxiliary enterprises and service departments.

- **Accounting Practices** – Transfers of funds between RL&L FAMIS accounts are not being made to clearly show how deficits of one account are being supported by another account. Instead, expenditures from one housing account are directly made to support the activities of another housing account. This accounting practice results in one account overstating operating expenses and one account understating operating expenses, while obscuring the actual performance of the related housing activities.

- **Cash Handling** – Student workers receiving cash in the RL&L for room deposits and room damage fees are also recording these transactions in the Residential Management System application. This lack of segregation of duties weakens the control environment over cash receipting and recording, which increases the risk that errors and/or the misappropriation of
1. Financial Management (cont.)

Key return processes need strengthening.

Key return processes need strengthening.

funds may occur and not be detected in the normal course of business operations.

**Recommendation**

Management should consider developing periodic financial statements for RL&L that would provide a comprehensive assessment of operating activity and fund balances for each part of RL&L operations. Use transfers to/from RL&L accounts to provide transparency in the accounting for financial operations involving usage of one account fund to support the operations of other RL&L accounts. To strengthen the control environment over revenue management, properly segregate the cash receipting process from the revenue recording process in RL&L. In addition, perform reconciliations between the Residential Management System application and FAMIS.

**Management’s Response**

RL&L, as an auxiliary enterprise, will explore partnering with Business Services to identify potential financial statement solutions. RL&L has purchased QuickBooks as a software solution to produce comprehensive financial reports that can be used in conjunction with FAMIS records. An implementation target date of June 1, 2013 has been identified to begin the data input process with the intent to produce year-end reports for fiscal year 2013 to enable RL&L to more accurately track and reconcile revenue and expenditures. This solution will allow RL&L to more accurately account for the use of funds within each account. With increased tracking, staff will have the ability to proactively request transfers to cover deficits.

RL&L will redesign work processes and staffing levels to segregate the duties of collecting and recording cash receivables. A part-time team member will join the RL&L team beginning May 1, 2013. That team member will be assigned duties and responsibilities related to financial management.

2. Documentation of Key Returns

**Observation**

Key returns were not being consistently verified by RL&L staff when room condition sheets were submitted with missing information regarding key returns. This situation increases the risk that former residents retain keys and have inappropriate access to residence halls and rooms. Pertinent information must
2. Documentation of Key Returns (cont.)

be identified, captured and communicated on the room condition sheets to ensure responsibilities are carried out and completed.

**Recommendation**

Improve the student housing check-out process to ensure all keys are returned. If the room condition sheets are to be used for documenting the key return process, ensure these forms are completed.

**Management’s Response**

*RL&L will re-design both the room condition sheet and the check-out process to accurately account for key returns. The re-design will include training for the RL&L team. Training will occur during Summer Institute and procedural changes will take effect with fall 2013 residents.*

3. Position Descriptions

**Observation**

The requirement to live on campus is not included in the position descriptions for residential coordinators and graduate assistants, even though these positions are required to live on campus and are provided a meal plan as a nontaxable fringe benefit. To avoid any potential conflicts with the Internal Revenue Service (IRS) this requirement to live on campus should be included in the position descriptions. IRS Code Title 26 states that “there shall be excluded from gross income of an employee the value of any meals or lodging furnished to him, his spouse, or any of his dependents by or on behalf of his employer for the convenience of the employer, but only if (2) in the case of lodging, the employee is required to accept such lodging on the business premises of his employer as a condition of his employment.” The IRS allows the benefits to be nontaxable if the requirement is for the benefit of the employer.

**Recommendation**

Revise the residential coordinator and graduate assistant position descriptions to include the requirement to live on campus.
Management’s Response

3. Position Descriptions (cont.)

RL&L has revised the job description to accurately reflect the requirement to reside on campus for both the residential coordinator and graduate assistant positions.
BASIS OF REVIEW

Objective

Evaluate the controls over student housing operations and determine the extent to which financial operations and physical security controls are operating efficiently and effectively and in compliance with laws and policies.

Criteria

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

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

Background

The Department of Residential Living and Learning is responsible for managing and operating campus housing for undergraduate students, graduate students, and camp participants. The Department currently operates 13 on-campus residence halls and contracts with five off-site apartment complexes, serving approximately 2,800 student residents. The Department has a total of 16 full-time employees, 4 graduate assistants, 69 residential leaders, 15-20 student workers for facility maintenance, and 20-30 office assistants. The Department is currently using the residential living and learning community program model offering student residents a community setting that empowers residents to value learning, citizenship and diversity through faculty and peer engagement.
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M UNIVERSITY

Review of the Veterinary Medical Teaching Hospital

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

Project #20130203
PROJECT SUMMARY

Overall, processes and controls established over Texas A&M University’s Veterinary Medical Teaching Hospital’s (Hospital) financial operations provide reasonable assurance that financial transactions are processed in compliance with laws and policies. Some opportunities exist to increase efficiencies in the Hospital’s purchasing processes.

Total expenditures for fiscal year 2012 were $15.7 million. The Hospital had patient revenues totaling $13.6 million, and was supported by an additional $2.7 million in general appropriations.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Purchasing Efficiencies

Observation

Increasing the use of the AggieBuy purchasing module and reducing spot purchases could result in more efficient purchasing operations. The Hospital has negotiated vendor contracts and makes efforts to obtain the best value when making purchases; however, the Hospital is not currently utilizing the AggieBuy purchasing module to its fullest potential. The Hospital calls vendors to place orders as its primary method of ordering goods and services. Although the Hospital may not be able to utilize AggieBuy to place all its orders, placing orders through AggieBuy can provide efficiencies in the use of electronic invoices and automatic posting of transactions to the accounting system. The electronic purchase request system in AggieBuy may also be an alternative for the paper purchase request forms currently used by the Hospital. Only 54 of 3,659 (1%) requisitions were initiated through AggieBuy during the audit period. Implementation of the AggieBuy system has automated much of the University’s procurement process and generates cost savings by leveraging the volume of University purchases to negotiate a lower contract...
rate with vendors. Using AggieBuy also increases efficiencies in the accounts payable process related to purchases.

On a daily basis student workers are traveling to local vendors to purchase routine supply items. The student worker making the trip is provided with the department’s procurement card to pay for the supplies. Unless a specific item is a University defined emergency, there is little or no benefit to the Hospital to incur travel and employee salary expenses to make low dollar, single item purchases.

Recommendation

Meet with Division of Finance to explore ways to utilize the AggieBuy purchasing module to increase efficiencies in the overall purchasing process. Increase oversight and review of internal purchase requests and reduce the number of purchases at local vendors for routine supply items.

Management’s Response

We will meet with the Division of Finance and continue to explore ways to increase our use of the AggieBuy purchasing module. For any efficiencies identified, we will develop an implementation plan and timeline.

We will perform a detailed study of our local spot order purchases and identify specific products to add to our Pharmacy/Central Supply Inventory. We will increase oversight of our internal purchase requests and reduce the number of spot purchases made to local vendors.

These actions will be completed by June 30, 2013.
BASIS OF REVIEW

Objective and Scope

The review of the Veterinary Medical Teaching Hospital at Texas A&M University focused on processes and controls over financial operations to determine if financial transactions are in compliance with laws and policies. The audit period focused primarily on activities from September 1, 2011 to August 31, 2012. Areas reviewed included financial reporting, reconciliations, revenues, receivables, expenditures, payroll, and information technology. Fieldwork was conducted from October to November, 2012.

Criteria

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

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

Background

The Veterinary Medical Teaching Hospital, a component of the College of Veterinary Medicine, consists of a Large Animal Hospital, a Small Animal Hospital, and a dedicated Zoological and Wildlife Medicine facility. The Hospital provides animal patient services to promote and improve teaching, research and the continuous education programs of the College of Veterinary Medicine.
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Second Quarter Report for Fiscal Year 2013

TEXAS A&M ENGINEERING
EXTENSION SERVICE

Review of Sponsored Programs

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

Texas A&M Engineering Extension Service’s (TEEX) controls over sponsored programs provide assurance that administrative processes are operating efficiently and effectively and in compliance with sponsored program provisions, A&M System policies and regulations, and applicable laws. TEEX reported proceeds from sponsored programs of $21.5 million on their fiscal year 2012 annual financial report. Over seventy-five percent of this amount is made up of funding received through the Homeland Security National Training Program grant administered by the National Emergency Response & Rescue Training Center (NERRTC) within TEEX.

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review the Agency’s processes and controls over sponsored programs to determine if resources are used efficiently and effectively and in compliance with laws, policies, and regulations. The review focused on the areas of revenues and expenditures, approvals, provision compliance, project closeouts, draw downs and participant tracking. The audit period focused primarily on activities from September 1, 2011 to November 30, 2012. Fieldwork was conducted from January to February, 2013.

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 Engineering Extension Service Contract and Grant provisions and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”
Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

TEEX programs serve private industry, municipalities and public agencies through approximately 4,300 classes annually in the areas of infrastructure and safety; law enforcement; fire and rescue; economic and workforce development; and homeland security. In fiscal year 2012, TEEX served more than 183,750 people through training and technical assistance, for a total of 2.84 million contact hours.

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