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PROJECT SUMMARY

Overview

Significant improvements are needed in the facilities management program at Texas A&M University. The current processes do not ensure Physical Plant Facilities’ (Facilities) resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. The current facilities management program does not provide adequate information to assist in day-to-day decision-making and ensure customer satisfaction. Additionally, a July 2009 third-party facilities condition analysis identified a significant backlog in building maintenance.

Facilities’ current electronic work order management system is not being used to its full potential. Further, its cost accounting processes do not capture the full cost of completing projects. Full cost is important to provide better financial information for decision-making and to ensure appropriated funds are not spent on auxiliary operations. Opportunities for improvement also exist in the areas of project scheduling, construction contract compliance, warranty inspections, and Communication Center activity analysis.

Facilities has approximately 480 employees and an annual budget of $53 million.

Summary of Significant Results

Facilities Management Program

The University lacks a facilities management program that provides information for effective decision-making regarding resources and operations. A strong facilities management program would synthesize information from key management processes such as customer service, performance measures, cost accounting and employee productivity. The absence of a strong facilities management program makes it difficult for management to determine the root causes of problems, identify corrective actions, and monitor the day-to-day activities of operations.
Customer Service

Facilities does not have a reputation of providing good customer service. Discussions with Facilities’ key customers indicate that a lack of communication, responsiveness, timely project completion and opportunities to provide feedback are major sources of frustration. Customers also believed that construction and renovation projects were unreasonably expensive, especially for outsourced project work. Facilities management has not prioritized customer service as a key performance measure, thus, failing to adequately address customer service problems.

Building Maintenance

Significant improvements are needed in the University’s building maintenance program. A July 2009 third-party facilities condition analysis identified a significant backlog in plant adaption ($202 million), capital renewal ($756 million), and deferred maintenance ($542 million), totaling $1.5 billion in recommended projects spaced over the next ten years for 297 of the University’s buildings. Another third-party study found that the University performed significantly less preventive maintenance than its peers and that funding of facilities management was generally lower than its peers as well. Without an effective building maintenance program, the University’s risks related to facility integrity, reliability and availability are increased.

Work Order Management System

The current electronic work order management system is not being used to its full potential. In many cases the data in the work order management system does not allow for the efficient tracking of key milestones and other important project information. Additionally, the current work order submission process is manual. The submission process does not ensure that all work order requests are received and tracked. Facilities does not routinely analyze its work order data to provide useful management information to assist in solving such problems as uneven work distribution and employee productivity. The current work order management system does not fully support the efficient and effective use of Facilities’ resources.

Cost Accounting

Facilities’ cost accounting procedures do not capture the full cost of performing projects due to indirect costs not being included. Indirect costs include salaries and other expenses that are shared by the Physical Plant Facilities, Utilities and Custodial functions.
Full cost is important to provide better financial information for decision-making and to ensure appropriated funds are not spent on auxiliary operations.

Summary of Management’s Response

Management concurs with the recommendations of the audit report.

Customer service, performance measures, building maintenance, work order management, cost accounting, construction contracts and project scheduling are all areas in which the Physical Plant needs improvement. The new executive management team is conducting an in-depth analysis of all operating units within the department and will reorganize and realign operations and personnel. The goals are to enhance customer service, streamline processes, increase efficiency, focus on core business activities, improve communications, and enhance transparency. The implementation of AiM, a web-enabled work order management software that provides direct customer access, will greatly enhance customer service. The data gathered will provide management with the necessary data to make sound business decisions by providing greater reporting capabilities and performance measures. In addition, management has changed the “Physical Plant” name to “Facilities Services” as a first step to change the culture to a service orientation.

Scope

The review of the University’s Physical Plant Facilities focused on the areas of customer service, performance measures, building maintenance, work order management, cost accounting, construction contracts, and project scheduling. Transactions and activities were reviewed primarily for the period from September 1, 2008 through December 31, 2009. Fieldwork was conducted from January to April 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Facilities Management Program

Observation

The University lacks a strong facilities management program that provides sufficient information for effective decision-making regarding resources and operations. A strong facilities management program would synthesize information from key management processes including customer service, performance measures, cost accounting, employee productivity, and contractor performance. The absence of this information makes it difficult for management to determine the root causes of problems, identify corrective actions, and monitor the day-to-day activities of operations. Facilities' ability to analyze data has been adversely impacted by limited information technology development and the availability of accurate and complete data.

In addition, Facilities has not developed quantitative performance measures. Formalized goals and objectives with related performance measures would provide better direction for the individuals responsible for the achievement of Facilities' mission. Establishing and communicating expectations, monitoring performance, and taking actions based on the results would provide Facilities with the tools needed to effectively identify problems, make changes, as needed, and achieve expected outcomes.

Recommendation

Improve the University’s facilities management program by conducting routine analysis of operational and strategic information regarding such key success factors as customer service, cost accounting, employee productivity, and contractor performance. Develop information technology processes to facilitate the analysis of the data in order to provide adequate information for effective decision-making regarding resources and operations. Additionally, develop performance metrics to measure and track key operational aspects of construction and renovation and building maintenance.
Management’s Response

2. Facilities Management Program (cont.)

Management concurs.

Facilities Services is currently implementing a web-enabled work order management system called AiM. AiM will provide a mechanism to gather key data and has the reporting tools necessary to analyze operational and strategic information related to key success factors such as customer service, cost accounting, and employee productivity. Enhanced business processes are being developed to more effectively address monitoring and tracking of contractor performance. AiM implementation will begin September 1, 2010, with all units implemented by June 30, 2011. As part of the implementation process, performance measures for each operational unit within Facilities Services are being developed to track key operational data so meaningful metrics can be used to more efficiently manage all operations.

Target implementation: June 30, 2011.

2. Customer Service

Observation

Facilities’ customer service requires significant improvement.

Facilities does not have a reputation of providing good customer service. Discussions with Facilities’ key customers indicate that a lack of communication, responsiveness, timely project completion and opportunities to provide feedback are major sources of frustration. Additionally, customers believe construction and renovation projects are too costly. Facilities has not developed detailed strategies on how to achieve customer satisfaction and specific measurable customer service targets with which to hold service delivery units and management accountable.

A third-party survey that was commissioned by Facilities found the level of customer service to be lower than that of its institutional peers. The same survey scored the extent to which customers believed Facilities’ construction services “provide good value” at 1.8 out of a possible 4.0.

While Facilities seeks customer satisfaction feedback on the construction and renovation projects conducted by its employees, it does not include the projects performed by outside contractors. Outside contractors were responsible for eighty-eight percent ($29 million out of $33 million) of Facilities’ project costs from January 2008 to November 2009. This may explain why key customers were frustrated with the lack of opportunity to provide feedback. Management indicated this was due to management oversight.
Customers cited Facilities’ increased overhead charges resulting from outsourced projects and a general increase in the use of outsourcing as some of the reasons construction and renovation projects have become more costly and untimely. Additionally, a number of customers indicated that Facilities’ billing process lacks transparency.

Facilities has neither prioritized good customer service nor held employees accountable for it. For example, management has not developed departmental or employee performance goals regarding customer service. This elevates Facilities’ risk of not achieving the department’s goal of “guaranteeing customer satisfaction with all Facilities’ products and services.”

**Recommendation**

Physical Plant needs to establish a customer service-oriented culture within Facilities by:

- Developing customer service strategies and communicating customer service expectations for Facilities’ employees and programs.
- Documenting customer expectations in employee position descriptions and evaluating customer service goals as part of employee performance evaluations.
- Obtaining customer feedback on all types of projects and developing processes that ensure periodic communication with key customers.

**Management’s Response**

*Management concurs.*

*Interviews are currently underway to hire a professional communications manager. This individual will be responsible for the development and implementation of an aggressive and comprehensive communications strategy for Facilities Services. This communications strategy will include significant outreach efforts for customer input and feedback opportunities as well as providing information via a wide variety of mediums including an enhanced website, customer access to AiM to view project progress, the Aggie Hotline, and other methods of communication. In addition, a customer service component is in the process of being added to all employee position descriptions in order to hold individual employees accountable for delivery of excellent customer service. Evaluating customer service goals will be part of employee performance...*
2. Customer Service (cont.)

evaluations. A focus on customer service expectations will also be a part of Division of Operations strategic planning.

Target implementation: May 31, 2011.

3. Building Maintenance

Observation

The University has a significant backlog in building maintenance.

Significant improvements are needed in the University’s building maintenance program. A July 2009 third-party facilities condition analysis identified a significant backlog in plant adaption ($202 million), capital renewal ($756 million), and deferred maintenance ($542 million), totaling $1.5 billion in recommended projects spaced over the next ten years for 297 of the University’s buildings. The analysis concluded that the condition of the buildings inspected was “worse than average” mostly due to aging systems reaching the end of their useful service lives.

The building maintenance backlog is partly due to Facilities’ deferred maintenance projects being based on budget amounts as opposed to a facility assessment. Facilities received a deferred maintenance budget of $4 million for the last several years. The budget was increased to $9 million in fiscal year 2009. The University has not formalized a plan to address the facilities condition analysis results, but it is in the process of establishing an executive committee to address deferred maintenance and other related issues.

In addition, another third-party study found that the University performed significantly less preventive maintenance than its peers and that the University’s funding of facilities management was generally lower than that of its peers. The same study found that as new and more technically complex space is added, the University has not increased its annual stewardship to ensure buildings will perform properly and reach their useful life and avoid unwanted deterioration.

Facilities’ recently established preventive maintenance program covers only 32 of the University’s relatively newer buildings.
Preventive maintenance personnel indicated that, due to limited resources, the maintenance program cannot meet equipment manufacturers’ recommended maintenance schedules. For example, while manufacturers may recommend changing air filters on some equipment every 6 to 8 weeks, Facilities’ filter-changing crews may have only changed some filters once in the past year.

Finally, the preventive maintenance program does not ensure resources are used in the most efficient manner. The preventive maintenance program does not facilitate effective tracking and monitoring of maintenance. The preventive maintenance performed on each piece of equipment is recorded on a manual checklist. Thus, the tracking system does not allow management to electronically schedule maintenance, issue work reminders or track maintenance histories by equipment item.

Without an effective building maintenance program, the University increases its risks related to facility integrity, reliability and availability. If facilities become unavailable or are not functioning properly, the University will also see an increase in operational costs.

**Recommendation**

The University should improve its building maintenance program by:

- Developing and implementing a plan to address the facilities condition analysis results.
- Improving the preventive maintenance program.
- Implementing an automated tracking and monitoring system that allows management to schedule and track maintenance of buildings and equipment.

**Management’s Response**

*Management concurs.*

A *Deferred Maintenance Task Force (DMTF)* has been established and is charged with specifically identifying a plan to prioritize the University’s deferred maintenance and capital renewal needs identified in the facilities condition analysis. In addition to developing a process, the DMTF will work to identify adequate and ongoing funding sources to ensure the facilities condition analysis results are adequately addressed. The DMTF is scheduled to complete its charge by October 31, 2010. After that time, Facilities Services will take the DMTF plan and work with a consultant and stakeholder...
groups to refine the plan and to develop an implementation protocol. After that time, the plan to address the facilities condition analysis will be implemented.

Target implementation: June 30, 2011.

The Interim Executive Director for Facilities Services and the Executive Associate Vice President are working on re-aligning Facilities Services to provide greater focus on preventive and routine maintenance. Implementation of the new web-based work management system (AiM) will include implementing the automated preventative maintenance module developed to schedule and track preventative maintenance.

Target implementation: March 31, 2011.

Currently, Facilities Services is implementing a web-enabled software that will provide enhanced tracking and monitoring of maintenance for buildings and equipment. In addition, this software will provide significant improvements in customer service and management decision-making.

Target implementation: June 30, 2011.

4. Work Order Management System

Observation

The current electronic work order management system is not being used to its full potential. In many cases, the data input into the work order management system is not performed in a manner that allows tracking of key milestones and other important project information. Some of this may be due to a lack of consistency with how milestone information is entered. Some users show important milestone information in the comments section which renders the milestone information untrackable. Additionally, the work order management system does not dispatch reminders of upcoming milestones such as contract completion dates, warranty expiration dates, and warranty inspections. In some cases, users are sacrificing important management information, such as estimated start and end dates, for data-entry speed. Without estimated start and end dates, management cannot prepare project schedules to assist in work scheduling and project assignments. The system is not used to link related project documents. Facilities maintains most of the project information in hard copy files, making the management of project files cumbersome.
4. Work Order Management Process (cont.)

Additionally, the current work order submission process is manual and requires customers to phone-in, fax or hand-deliver work orders. The process does not ensure that all work order requests are received and tracked. Customers indicated that several times they had to resubmit a work order because the original was lost. In addition, the process does not provide timely customer notification of milestones like receipt of request, assignment to a project manager, expected commencement of onsite work or project completion. Discussions with customers indicate this process is a major source of frustration.

Facilities does not routinely analyze its work order data to provide useful management information to assist in solving problems such as uneven work distribution, employee productivity, impact of preventive maintenance on emergency calls, and equipment malfunction. Management has not analyzed emergency maintenance calls and work requests for trends. Analyzing work requests by building and maintenance areas can identify potential problem areas and can lead to development of an even work distribution.

With a fully integrated, robust work order management system, Facilities could improve the efficiency and effectiveness of its processes, provide more reliable response times and keep its costs in line, thereby, improving its overall customer satisfaction.

Recommendation

Upgrade the current work order management system to a web-enabled system that allows customers to access their work order information and sends electronic notification of key milestones. Additionally, improve the consistency with which milestones and other important information is entered into the database. Finally, perform an analysis of work order data to provide useful management information.

Management’s Response

Management concurs.

An AiM implementation project group manager has been appointed and the first steps toward full implementation have already been accomplished. Project managers will be required to ensure consistent entry of milestones and will be held accountable for those milestones. In addition, the web-enabled software provides customers the ability to directly enter work order information and electronically track key milestones for their projects. AiM also includes high quality reporting capabilities that provides
4. Work Order Management Process (cont.)

Cost accounting procedures do not capture the full cost of projects. Management the necessary tools to perform analysis of key metrics within the work order system. This capability will help management make sound business decisions based on accurate and complete data.

Target implementation: June 30, 2011.

5. Cost Accounting

Observation

Facilities' cost accounting procedures do not capture the full cost of performing projects because indirect costs are not included. Indirect costs include salaries and other expenses that are shared by the Physical Plant Facilities, Utilities and Custodial functions. Knowing the full cost is important for effective management of operations, as well as providing important data for calculating the rates charged for projects. Without full costing analysis, Facilities can not demonstrate that appropriated funds are not being expended on auxiliary services' projects. State law disallows the use of appropriated funds for auxiliary services such as athletics and, without calculating the full cost of performing auxiliary services' projects, management cannot demonstrate that it is in compliance with this funding requirement.

Facilities charges a 5% administrative fee on all materials and contracted services in addition to its approved labor rates. The administrative fee has not been analyzed or approved by the University's Division of Finance, as required by University Rule 21.01.05.M1.

Recommendation

Calculate the full cost of projects, including indirect costs, and establish appropriate rates based on full costs. Additionally, obtain the Division of Finance's approval for the 5% administrative fee charge.

Management's Response

Management concurs.

Full cost rates for all services will be calculated to include all indirect costs, and the 5% administrative fee will be eliminated. Costs associated with the 5% administrative fee will be rolled into the calculation of the charge out rates. New rates will be approved by the Division of Finance.
6. Construction and Renovation Project Scheduling

Observation

Facilities’ current construction and renovation project scheduling process is manual and does not ensure optimum productivity of in-house construction crews and the efficient use of resources. The review found that construction crews reported significant amounts of non-billable time, most of which was idle time. Four of six construction crews reported non-billable time that exceeded budgeted non-billable time by more than 20%. This was primarily due to a lack of monitoring of idle time and Facilities’ increased use of outside contractors. Discussions with crew foremen indicated that crews have not been as busy in the past two or so years. Idle time is included in the shop rates charged to the customers. With improved project scheduling, Facilities could reduce the amount of idle time for in-house crews, which in turn, might reduce the need for some of the outside contract work, thereby, reducing overall costs.

Recommendation

Improve the project scheduling process to greatly increase productivity of in-house construction crews. In addition, closely monitor crew idle time to ensure it remains within budget. Finally, consider investing in a more sophisticated scheduling tool.

Management’s Response

Management concurs.

The AiM software initiative includes a project management module that includes project management scheduling. As stated, the AiM implementation project group manager has been appointed and the first steps toward full implementation have already been accomplished. The web-enabled software will provide the tools necessary to input the project and all associated costs as well as track individual project progress. The customer will also have the ability to directly view all of the information pertaining to their specific project and track key milestones. The data in the project management module will help management make sound business decisions, including scheduling determinations, based on accurate and complete data. Additionally, the monitoring of non-productive time at both the individual and the crew level has already been implemented.
6. Construction and Renovation Project Scheduling (cont.)

The current re-alignment plan includes a new business model that will reduce the number of Facilities Services’ employees engaged in the renovation and construction of buildings, and private contractors will perform more of the large renovation projects. Savings from the re-alignment will be focused on providing the appropriate level of contract oversight and inspection of renovations and construction projects performed by outside contractors. Additional staff will be added in planning and design as well as inspection, reducing the number of Facilities Services’ employees engaged in actual construction. The remaining resources will be focused on preventive and routine maintenance of facilities.

Target implementation: June 30, 2011.

7. Construction Contracts

Observation

The construction contracts established between the University and its general contractors and Work Order Requirements Contract (WORC) contractor do not include direct contract clauses that provide for the right of audit and communication of business ethics expectations. Absence of these direct provisions could result in the University being held liable for intentional or unintentional unethical behaviors including billing errors, fraudulent activities, and noncompliance with State of Texas laws, A&M System policies and regulations, and contract provisions. Inclusion of right to audit and business ethics expectation clauses is considered standard business practice in construction contract provisions.

Recommendation

Include in construction contracts the direct contract clauses that provide for the right of audit and communication of business ethics expectations.

Management’s Response

Management concurs.

Facilities Services’ management is working with the A&M System Facilities Planning and Construction department to have the construction contract forms modified to include clauses that provide for the right to audit and communicate the University’s business ethics expectations.

Target implementation: September 30, 2010.
8. Compliance with Contract Conditions – Engineering and Design Services (EDS)

Observation

Facilities’ Engineering and Design Services (EDS) project management processes do not ensure compliance with contract conditions. A review of 15 projects managed by EDS found noncompliance with contract conditions in a number of areas, some of which are briefly described below.

Eighty-seven percent (13 out of 15) of the projects tested did not have evidence that the contractor had Commercial General Liability insurance coverage throughout the warranty period, as required by contract. Inadequate monitoring of the contractor's insurance coverage against the project life and warranty period increases the risk that the University would be liable for damages or injuries that occurred during the warranty period.

For 13% (2 out of 15) of projects tested, the project manager did not inspect the work cited in the contractor’s Schedule of Values within seven days to verify amounts for which the contractor sought payment as required by contract. Not verifying the work in a timely manner elevates the risk that the contractor will be paid for work not performed. This is primarily due to EDS management not closely monitoring project milestones.

For 20% (3 out of 15) of the projects reviewed, the contractor did not meet the contract delivery date. The project management processes do not ensure the contractor is held accountable for late delivery. Change orders do not depict the exact date that the project is to be substantially completed. Most contracts state that the project is to be completed by a certain number of days following the issuance of the Notice to Proceed. The Notice to Proceed, in turn, generally indicates the project completion date by a set number of days following the pre-construction meeting. This makes tracking for compliance more challenging.

Twenty-one percent (3 out of 14) of the projects reviewed did not include justification for significant departures from the HUB Subcontracting Plan, as required by contract. This is primarily due to the lack of a formalized process for tracking actual HUB expenditures against the HUB plan.

Recommendation

In order to ensure compliance with contract conditions, EDS should:
• Maintain evidence of each contractor’s Commercial General Liability insurance coverage throughout the warranty period.

• Perform an inspection within seven days of receiving a pay application to verify the amounts on the Schedule of Values.

• Establish a more aggressive monitoring strategy and implement a more sophisticated database to monitor key project milestones, such as delivery dates.

• Closely monitor HUB expenditures against contractor HUB plans.

Management’s Response

Management concurs.

Facilities Services has extended the tracking of Commercial General Liability insurance coverage to include the one-year warranty period.

Target implementation: June 1, 2010 (COMPLETED).

Project managers are now required to inspect the work cited in the contractor’s Schedule of Values within seven days to verify amounts for which the contractor is seeking payment, and appropriate documentation of that inspection is retained in the project file.

Target implementation: June 1, 2010 (COMPLETED).

When implemented, pay applications, inspections and verifications will be tracked in the project management software.

Target implementation: June 30, 2011.

Implementation of the web-enabled software will allow for more aggressive monitoring of project milestones. It will also allow for customer review of data to ensure milestones are aligned with customer expectations.

Target implementation: June 30, 2011.

HUB expenditures will be tracked against contractor HUB plans in the project management software when implementation of AiM is complete.

Target implementation: June 30, 2011.
9. Compliance with Contract Conditions – Construction & Renovation

Observation

Facilities’ Construction & Renovation project management processes do not ensure compliance with contract conditions. A review of 15 WORC projects managed by the Construction & Renovation group found noncompliance with contract conditions in a number of areas, some of which are briefly described below.

For 27% (4 out of 15) of the projects reviewed, the project manager did not conduct a walk-through at project completion, as required by contract. This lack of management oversight elevates the risk that the University could officially accept and pay for work that does not meet customer standards.

Contract conditions, which are in line with standard practice, require punch list items to be cleared within 37 days of the final walk-through. Twenty-nine percent (2 out of 7) of the projects reviewed took more than 37 days to complete the punch list items. This is primarily due to project managers not monitoring key milestones closely. In addition, project managers were not aware of the requirement for formal/written extension approval. The lack of a timely walk-through elevates the risk that punch list items could remain outstanding, in turn creating customer complaints.

For 20% (3 out of 15) of the projects reviewed, the Notice to Proceed did not specify the time in which the contractor must complete the project. Thus, the contractor was unaware of the completion date, and thereby could extend project delivery time longer than necessary without consequences. Management indicated it assumed that the contractor would know to finish quickly as these were Emergency Notices to Proceed.

Recommendation

Construction & Renovation management should improve compliance with contract conditions by tracking key project milestones closely. Additionally, project managers should conduct a final walk-through as required and punch list items should be completed timely. Finally, completion dates should be documented in the Notices to Proceed.

Management’s Response

| Management concurs. |
9. Compliance with Contract Conditions – Construction & Renovation (cont.)

Facilities’ processes do not ensure warranty inspections are performed.

A project outline has been developed to track key milestones. Project managers are now required to conduct final walk-throughs, as specified by the contract, and punch list items are now required to be completed on a timely basis. All project completion dates are now documented in the Notice to Proceed.

Target implementation: June 1, 2010 (COMPLETED).

The implementation of AiM, the department’s web-enabled work order management system, will provide significant opportunities to track key project milestones as well as ensure that final walk-through and punch list items are completed timely.

Target implementation: June 30, 2011.

10. Warranty Inspections

Observation

Facilities’ project management processes do not ensure warranty inspections are performed to ensure any defects within the warranty period are addressed by the contractor. For 57% (17 out of 30) of the construction projects reviewed, Facilities did not conduct warranty inspections prior to the expiration of the warranty period. Not conducting these inspections increases the University’s risk that defects/malfunctions covered by warranty are not corrected and fixed within the warranty period.

Recommendation

Facilities management should improve project management processes to ensure that warranty periods are tracked and that warranty inspections are performed in a timely manner.

Management’s Response

Management concurs.

A notification process has been implemented to notify the project managers of pending warranty expirations so inspections can be conducted. As the software implementation proceeds, additional processes are being evaluated to ensure warranty periods are tracked and warranty inspections are performed in a timely manner.

Target implementation: June 30, 2011.
11. Communication Center

Observation

Physical Plant’s Communication Center maintains at least five different manual logs in addition to an electronic database with the same information. Management has not analyzed the University’s Communication Center logs and database to determine if the Center is operating efficiently and effectively and is appropriately staffed. The five logs include personnel sign-in, key check-out, elevator checklist, maintenance work orders and a radio call log. While the electronic database has been in use for more than ten years, the information has not been analyzed to identify common problems, issues, or trends. Periodic analysis of activity is important for identifying opportunities for improvement and/or changes, particularly for a center whose operations are as diverse as that of the Communication Center. For example, analysis could reveal decreases in demand for services offered, allowing for personnel reassignment. Also, for example, with the growing use of the Internet, some universities have significantly decreased or eliminated the number of staff handling the directory services function.

Recommendation

Analyze the Communication Center’s logs and database to determine if actions can be taken to utilize the Center’s resources more efficiently and effectively.

Management’s Response

Management concurs.

The Interim Executive Director for Facilities and the Executive Associate Vice President are working on re-aligning Facilities Services to provide greater accountability in staffing levels in a number of areas. The Communications Center’s function and processes are being reviewed as part of this re-alignment. It is anticipated that the focus of this department will be to provide enhanced customer service for Facilities Services and serve as the primary point of contact for all customers.

Target implementation: January 31, 2011.
BASIS OF REVIEW

Objective

The overall objective was to review and assess financial and management controls and processes over Physical Plant Facilities to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations and University rules.

Criteria

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

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

Background

Facilities’ mission is to provide safe, functional and efficient facilities for students, faculty and staff. Its two main elements of focus are customer service and stewardship. Facilities has approximately 480 employees and an annual budget of $53 million. Facilities operations are organized under Construction & Renovation, Engineering and Design Services, Facilities Maintenance and administrative functions.
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PROJECT SUMMARY

Overview

Overall, the controls established over the Human Subjects’ Protection Program at Texas A&M University are generally effective in providing reasonable assurance that the University is operating in compliance with applicable federal laws and guidelines, System regulations and University rules, except in the area of timely reporting of approved expedited protocols to the Institutional Review Board (IRB). Opportunities for improvement were also identified in the areas of monitoring the completion of human subject research training, performance measurement, and database development. During fiscal year 2009, the Human Subjects’ Protection Program received 1,553 protocols for processing.

Over the last year, the Offices of Research Compliance, Biosafety and the Comparative Medicine Program have increased their staff and expanded their responsibilities, augmenting the need for long-term funding of these offices.

Summary of Significant Results

Protocol Tracking and Reporting

Human Subjects’ Protection Program staff did not identify that for more than two years, 38% of approved expedited protocols were not reported to the IRB as required. This was due to staff relying on a system generated report which did not include all expedited protocols as a result of an undetected software problem caused by a system upgrade in August 2007. Upon being made aware of this oversight by the audit team, staff reported the problem to the IRB on December 18, 2009. Over five months later on May 24, 2010, a required report was sent to the federal Office for Human Research Protections (OHRP).
Summary of Management’s Response

The Office of the Vice President for Research and Graduate Studies has reviewed the audit findings and concurs with recommendations for improvement to the Human Subjects’ Protection Program at Texas A&M University.

Detailed responses are described in each of the following sections.

Scope

The review of the Human Subjects’ Protection Program within the University’s Office of the Vice President for Research and Graduate Studies focused on activities for the period September 1, 2008 through August 31, 2009. The Institutional Review Board is administered by the Human Subjects’ Protection Program. Additionally, research compliance databases and overall funding of the Offices of Research Compliance and Biosafety and the Comparative Medicine Program were also included in the review. Fieldwork was conducted from October 2009 to March 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Protocol Tracking and Reporting

Observation

From August 2007 to November 2009, 725 of 1,924 expedited protocols (38%) were not reported to the Institutional Review Board (IRB) members. The error was caused by an August 2007 software update to InfoEd, the software program used to track research projects and protocols. The upgrade caused an undetected change to InfoEd’s report parameters. Management was not analyzing the accuracy of the data and did not detect the error. Upon being made aware of this oversight by the audit team, the Human Subjects’ Protection Program reported the situation and the missing expedited protocols to the IRB on December 18, 2009. Over five months later on May 24, 2010, a required report was sent to the federal Office for Human Research Protections.

The Code of Federal Regulations, Title 45, Part 46.110 (c) states that, "Each IRB which uses an expedited review procedure shall adopt a method for keeping all members advised of research proposals which have been approved under the procedure." Sections 46.103(a) and (b)(5) require that institutions have written procedures to ensure that instances of continuing noncompliance with the policy or the requirements or determinations of the IRB are “promptly” reported to the federal Office for Human Research Protection. On May 27, 2005, the Office of Human Research Protections issued a document titled “Guidance on Reporting Incidents to OHRP” that provides guidance on what is meant by “promptly.” It states that for less serious incidents, a few weeks may be a sufficient reporting time.

While written procedures were in place detailing how expedited reviews are to be processed and reported monthly to the IRB, the electronic reporting mechanism was not working as intended. Failures to notify the IRB of all the expedited protocols and to promptly notify the Office for Human Research Protection of this nonreporting resulted in the University being in noncompliance with federal regulations.
Recommendation

1. Protocol Tracking and Reporting (cont.)

Ensure IRB members are notified in a timely manner of all proposals approved with expedited reviews. Periodically review reports created in the InfoEd database to ensure the reports are accurate, especially after updates have been made to the program. Develop a process to ensure that any future instances of noncompliance are promptly reported to the federal Office for Human Research Protections.

Management’s Response

Management concurs with the recommendations. The Human Subjects’ Protection Program (HSPP) immediately corrected InfoEd so that reports were accurate. InfoEd generated reports are now reviewed on a periodic basis to ensure their accuracy. HSPP management has implemented manual documentation of IRB notification on protocol files to ensure expedited approval has been sent to the IRB. The procedures for reporting instances of noncompliance to the federal Office for Human Research Protections is under review and will be modified to ensure full compliance with relevant requirements.

Implementation date: August 31, 2010.

2. Monitoring of Required Training

Observation

The Human Subjects’ Protection Program does not track or receive notification when a principal investigator's required training will expire. Prior to receiving IRB approval, principal investigators are required by the University’s standard operating procedures to pass a web-based training course provided by an external vendor on conducting human subject research. Principal investigators must also pass a refresher course every two years thereafter. The vendor sends advance notification to the principal investigator when their training is going to expire. The Human Subjects’ Protection Program has access to the training database; however, they only check training records at the time a protocol is submitted for initial or continuing review as specified in its standard operating procedures. Therefore, an investigator's required human subject training could expire after the protocol is approved and the Human Subjects’ Protection Program might not know that the training has expired for up to a year. Staying current on required training helps to ensure that principal investigators are aware of applicable
2. Monitoring of Required Training (cont.)

| federal laws and ensures their compliance with the University’s standard operating procedures. |

**Recommendation**

Implement procedures to ensure that the Human Subjects’ Protection Program is aware of the lapse of required training for any principal investigators with active human subject protocols.

**Management’s Response**

Management concurs with the recommendation. A procedure has been put in place to ensure compliance with training requirements. Notifications are sent to principal investigators by the CITI training software 90 days prior to training expiration reminding them to complete the required refresher course. HSPP management will send an additional notice 30 days prior to training expiration (as needed) to principal investigators reminding them to complete the refresher course. If training expires, for any investigator, the approval/exemption will be suspended until training has been updated. In addition, an outreach campaign has been initiated to ensure all principal investigators are aware of their training requirements.

*Implementation date: August 31, 2010.*

3. Performance Measures

**Observation**

| The Human Subjects’ Protection Program does not have fully developed performance measures. The program has established some estimates in their standard operating procedures regarding processing times, but the program’s performance on these estimates is not tracked. Absence of goals, objectives, and performance measures increases the risk that executive management cannot hold departments accountable for their performance, particularly as departments experience growth. |

Performance measures provide management with a tool for reviewing operations and identifying areas for improvement. Additionally, a good performance measurement system provides information that is meaningful and useful to decision-makers and is an integral part of the daily operations.
3. Performance Measures (cont.)

**Recommendation**

Develop performance measures for the Human Subjects’ Protection Program to help ensure the program performs effectively and in compliance with standard operating procedures.

**Management’s Response**

*Management concurs with the recommendations. While the HSPP has tracked processing times for each major step in the intake and processing, review, and approval processes for each submission type, the program did not compare actual performance against estimated processing times. Performance measures given in standard operating procedures will be reviewed and revised, if needed, by HSPP management. In addition, procedures will be put in place to ensure these measures are tracked and reported on a timely basis by management.*

*Implementation date: August 31, 2010.*

4. Database Needs Assessment

**Observation**

The Office of Research Compliance has initiated but not yet completed a database needs assessment as part of the development of a new research administration system. A Texas A&M University System initiative is under way to develop an integrated electronic research administration system that will be used by System research institutions based in the Bryan-College Station area. The system is based on Texas Engineering Experiment Station’s in-house developed research administration system and is known as Maestro (Modular Application for the Electronic Submission and Tracking of Research Operations). Phase I, creation of a central data repository, is almost complete with Phase II, Pre-Award, set to begin the final scoping process in June 2010. One of the proposed processes for Phase II includes electronically tracking regulatory compliance measures which involve the Office of Research Compliance. Currently, no one from Research Compliance is attending the Maestro meetings.

The Office of Research Compliance has not completed the database needs assessment for Phase II of Maestro mainly due to turnover in personnel and organizational changes. A thorough evaluation of protocol management needs should be performed and included in the scoping process for Phase II of Maestro. A
4. Database Needs Assessment (cont.)

formal needs assessment involving all user groups is necessary before any software solution can be thoroughly analyzed. If funding or sufficient staff time does not exist to include the Office of Research Compliance’s needs, then alternatives should be sought.

Recommendation

Complete a thorough research compliance database needs assessment. Ensure that these needs are presented to the Maestro steering committee. Consider appointing someone from Research Compliance to attend the Maestro meetings. If funding or staffing constraints prevent protocol management from being included in Phase II then Research Compliance should develop long-range plans for addressing its database needs.

Management’s Response

Management concurs with the recommendations. Office of Research Compliance has accelerated its research compliance database needs assessment and will ensure that results are presented to the Maestro steering committee. Furthermore, the Office of the Vice President for Research and Graduate Studies will ensure a representative of the Office of Research Compliance attends Maestro meetings.

Implementation date: August 31, 2010.

5. Funding Issues

Observation

The University is subsidizing funding of research compliance for other System members.

The Offices of Research Compliance and Biosafety perform services for Texas A&M University as well as various other System members. The Office of Research Compliance is not being directly compensated by the other System members for these services. Other System members contribute faculty to sit on various compliance boards but do not contribute funds to support the boards’ administrative activities and functions. The Office of Biosafety receives some funding from other System members; however, the Office of the Vice President for Research and Graduate Studies does not feel that it is proportionate to the cost of the biosafety services provided. Discussions are under way with various System members and, while all are agreeable to contribute funds, actual amounts and funding mechanisms have not been determined.
5. Funding Issues (cont.)

Additionally, the University’s Comparative Medicine Program operates as a service center; however, the current rates charged for its services do not cover its costs. In fiscal year 2010, the Office of the Vice President for Research allocated approximately $1.4 million (39% of the program’s $3.6 million budget) to help cover the operations of the Comparative Medicine Program. System regulation states that service center billing rates should be designed to recover the direct operating costs of providing services and internal support costs, on an annual basis. During the fall of 2009, Comparative Medicine Program staff began working with the Division of Finance to develop new rates that would allow for full cost recovery.

Recommendation

Complete the review of the Comparative Medicine Program rate structure and develop a methodology for sharing the cost of research compliance administration with the other System members utilizing the services.

Management’s Response

Management concurs with the recommendations.

The Office of the Vice President for Research and Graduate Studies will, along with System stakeholders, develop a methodology for sharing the cost of biosafety and research compliance administration with other System members. Once a methodology has been determined, a written agreement between System stakeholders will be put in place which outlines cost sharing and effective dates.

Implementation dates:
Methodology for cost sharing: November 30, 2010.
Written agreement in place: February 2011.

The Office of the Vice President for Research and Graduate Studies is in the process of reviewing the Comparative Medicine Program rate structure. A new Executive Director of the Comparative Medicine Program is expected to start August 1, 2010 and his input into the rate structure is critical. Once a rate structure has been developed, a communication plan to inform stakeholders will be executed in advance of any changes to the rates. Data to determine specific rates will be collected starting September 1, 2010. Once six months of data has been collected, it will be analyzed to determine the actual rates charged to users.
5. Funding Issues (cont.)

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<th>Implementation dates:</th>
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<td>Implementation of revised user rates: September 1, 2011.</td>
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BASIS OF REVIEW

Objective

Review research compliance at the University to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. During the planning process, the scope was narrowed to focus on the Human Subjects’ Protection Program as well as the research compliance database and overall funding of research compliance.

Criteria

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

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

Background

The Institutional Review Board (IRB) is an administrative body established to protect the rights and welfare of human subjects or patients recruited to participate in research activities, regardless of the source of funding. The IRB reviews research protocols to ensure that the rights and welfare of subjects are protected and that the proposed use of human subjects is in compliance with federal, state, and Texas A&M University rules and procedures. The IRB is administratively located in the University’s Office of the Vice President for Research and Graduate Studies under the Human Subjects’ Protection Program. During fiscal year 2009, the Human Subjects’ Protection Program received 1,553 protocols. These consisted of 77 for full board review, 849 for expedited review, and 627 for exempt review.
Also under the Vice President for Research and Graduate Studies is the Comparative Medicine Program. This program is the centrally-administered support service for animal research and teaching programs at Texas A&M University in College Station, Texas.
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Mr. Charley Clark, Associate Vice President for University Risk and Compliance
PROJECT SUMMARY

Overview

Environmental health and safety processes at Texas A&M International University require improvement in certain areas to better ensure that a safe environment exists for students, faculty, staff and visitors. The processes for monitoring laboratories and providing safety training to students and employees require significant improvement. Increased formalization of safety and security processes through additional procedures and documentation is also needed to ensure that these processes are functioning effectively and demonstrate safety and security efforts undertaken by the University. The University is facing several infrastructure challenges related to its current growth which could have an adverse impact on its safety and security. The current water supply coming from the city is not always reliable and has affected the performance of the fire sprinkler systems in one campus building. In addition, there is currently only one exit from the campus which could cause traffic and congestion problems during an emergency evacuation. Management is working with the city and surrounding landowners to address these infrastructure issues.

Generally, the University’s financial and management controls over the selected physical plant operations reviewed ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Some improvements need to be made in the areas of supply inventory controls and establishing and documenting service rates.

Summary of Significant Results

Laboratory Safety Monitoring

The University’s laboratory safety processes require improvement to better ensure that all laboratories remain safe and that laboratory safety issues are identified and addressed in a timely manner. Laboratory inspections have not been consistently performed on an annual basis and are not scheduled based upon the relative safety risk of the respective laboratory or facility.
Safety inspection reports are not formally documented and submitted to management and departmental personnel. Most safety deficiencies are corrected at the time of inspection; however, for those deficiencies not immediately corrected, no tracking system is in place with a subsequent follow-up inspection to ensure that all deficiencies noted are addressed in a timely manner. No periodic spot checks are performed of teaching laboratories in session to ensure lab safety protocols are being enforced. The physical observation of several teaching and research laboratories during the audit did not identify any significant safety weaknesses at that time.

**Safety Training**

Student and employee safety training processes do not have adequate controls in place to ensure that all necessary safety training is completed and documented in a timely manner. Students appear to be receiving laboratory safety training; however, documentation of the training process requires improvement including standardization and retention of training forms and records. For more than half of the students tested, training records were not retained. Of those with training documentation approximately 30% did not receive the training in a timely manner. Employees potentially exposed to hazardous chemicals have not been required to complete detailed hazardous communication training. Employees potentially exposed to bloodborne pathogens are required to complete safety training; however, almost 40% of employees tested had not completed the training by their required due date. Safety training is an important preventative control to ensure the safety of all affected students and employees.

**Summary of Management’s Response**

_The University contracted with The Laboratory Safety Institute to conduct initial laboratory inspections, and standard operating procedures are being developed to ensure consistency in safety inspections, as well as camp administration and student travel. Additionally, student lab safety training forms have already been standardized across campus, and the Environmental Health & Safety (EHS) office will work with faculty to ensure that training is being conducted in a timely manner. TrainTraq is now being utilized to ensure that employee training is completed within prescribed time frames._
University management is committed to ensuring the safety of students, faculty, staff and visitors, and we appreciate the internal audit team’s assistance in helping us with this endeavor.

Scope

The review of environmental health and safety operations included safety training, laboratory safety, fire and life safety, youth camps, student travel, Clery Act reporting, and safety procedures. Physical plant operations reviewed focused on the areas of warehouse inventory management, services rates, information technology controls over the work order system, and procurement of goods. These operations were reviewed for the period September 2008 through December 2009. Fieldwork was conducted in January and February 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Laboratory Safety Monitoring

Observation

Although no significant safety weaknesses were noted during the physical observation of teaching and research laboratory facilities, the University’s laboratory safety monitoring processes require improvement to better ensure that teaching and research laboratories remain safe and that all laboratory safety issues are identified and addressed in a timely manner. The following laboratory safety monitoring issues were noted:

- Formal inspections of laboratory facilities are not performed at least annually for compliance with safety protocols. In addition, the frequency and scheduling of inspections is not based upon the relative safety risk of the respective laboratory or related facility.

- Safety inspection reports are not being formally documented and submitted to management or the responsible laboratory personnel, faculty, or researcher.

- Most safety deficiencies identified are corrected at the time of the inspection. However, for those deficiencies not corrected during the inspection, no formal tracking system is in place to better ensure that all recommendations are implemented or resolved in a timely manner.

- No periodic spot checks are performed of teaching laboratories in session to ensure lab safety protocols are being enforced by the lab instructors such as proper use of personal protective equipment.

Physical observation of seven teaching and four research laboratories, as well as three other laboratory facilities observed during the audit, indicated no significant safety issues. Chemistry and Biology labs, considered the most significant from a safety standpoint, had little or no safety issues. However, varying degrees of noncompliance with safety requirements were noted in other laboratory facilities observed including instances of improper storage or labeling of chemicals, missing safety features such as emergency
1. Laboratory Safety Monitoring (cont.)

contact number postings, and various general housekeeping and clutter issues.

Texas A&M System Supplemental Risk Management Standards involving health and safety require implementation of a laboratory safety program in accordance with prudent practices in the laboratory to reduce occupational exposure to health and safety hazards. This includes the use of personal protective equipment such as proper clothing, safety glasses, gloves, and laboratory coats wherever hazards are present that may result in injury or impairment. These standards also require that buildings and grounds occupied by faculty, students, employees or visitors be kept clean to the extent that the nature of the work or research allows, such as eliminating excess clutter.

Recommendation

Prepare and follow a risk-based safety inspection schedule including timelines for performing inspections of the various laboratories, shops, and related facilities.

Document and submit formal laboratory and related safety inspection reports to the responsible laboratory personnel, faculty, and/or researcher and provide copies to the respective University management.

Conduct periodic unannounced inspections of teaching and research laboratories (especially, while labs are in use) to ensure that students, faculty, and staff adhere to lab safety guidelines/protocols such as use of personal protective equipment and proper storage of chemicals.

Ensure that all teaching labs and related facilities contain the proper safety equipment and that this equipment is properly maintained and inspected. In addition, ensure these facilities are kept clean and free of excess clutter to the extent that the nature of the work or research allows.

Implement a follow-up inspection process that includes documentation and tracking of all laboratory safety deficiencies identified and a follow-up visit to ensure appropriate steps have been taken to correct the identified deficiencies.

Management's Response

The University contracted with Dr. Jim Kaufman, president and CEO of the Laboratory Safety Institute, to conduct initial laboratory
1. Laboratory Safety Monitoring (cont.)

Inspections on Wednesday, May 19, 2010, with formal reports to follow. A risk analysis for all labs will be completed by August 31, 2010, and a schedule will then be created for future inspections.

Standard operating procedures detailing a formal inspection process that includes creation of an inspection checklist, documentation and report submission, unannounced inspections of teaching and research labs, deficiency tracking, and follow-up inspection processes will be created by November 30, 2010.

2. Safety Training

Observation

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

Safety training is an important preventative control to ensure the safety of all affected students and employees. Limited standardized guidelines and monitoring processes are in place to ensure that all necessary safety training is completed in a timely manner. The following conditions were noted in regards to safety training:

- While the students appear to be receiving laboratory safety training; no signed and dated documentation of the training was retained for twenty-six (52%) of 50 students tested. In addition, signed safety training documentation did not always provide sufficient information to determine the student and/or course for which the training was being performed. Adequate documentation is important to ensure safety training is being completed in a timely manner.

- For the remaining 24 students tested that had signed safety training documentation, seven (29%) did not receive the training in a timely manner (on or prior to the first lab session) and four (17%) did not document the training date in order to determine the timeliness of the training.

- No employees hired during the audit period who are at risk of being exposed to hazardous chemicals were required to complete detailed hazardous communication (HazCom) training. The University has recently began using the A&M System TrainTraq system to provide detailed HazCom training to employees and track the timely completion of this training.

- Two (10%) of 20 employees tested that were hired at risk of being exposed to bloodborne pathogens (BBP) did not have documentation available to support that they completed BBP safety training. Of the 18 employees tested that received BBP
safety training, seven (39%) did not complete the training by their required due date and five (28%) within 30 days of their hire date.

Texas A&M System Supplemental Risk Management Standards involving health and safety require that standard operating procedures be developed and published and corresponding training be provided and documented on identified health and safety hazards to affected faculty, staff, students, and visitors. In addition, Texas Administrative Code, Title 25 Health Services, Rule 295.7 requires that employers develop a hazard communication program to provide training for new or newly assigned employees which must be completed prior to assigning any duties that may result in exposure to hazardous chemicals.

Recommendation

Develop standardized guidelines for student laboratory safety training including documentation and records retention requirements.

Monitor to ensure that lab safety training is performed for all relevant students in a timely manner and that these records are organized and complete.

Enhance student safety training documentation to better facilitate monitoring by including the student's signature and printed name, course name, section number, and instructor's name. In addition, centralize student laboratory safety training records at each departmental office.

Ensure that all employees with the potential exposure to hazardous chemicals and bloodborne pathogens receive detailed safety training prior to initial exposure to these materials/pathogens. Continue current efforts to utilize the automated features in TrainTraq to monitor and track employee safety training for timely completion.

Management’s Response

Student lab safety forms have been standardized to document safety training for both the Fine Arts and Sciences area and have been modified as recommended to include more pertinent information to properly document the completion of the training. Departments will maintain each student signed form for a minimum of one academic year.
2. Safety Training (cont.)

To ensure the forms are being completed, Lab Safety Training paperwork will be audited by the EHS office annually.

As of January 2010, Hazard Communication training is administered via TrainTraq and Bloodborne Pathogens training is being tracked through TrainTraq, although at this time, the training is still face-to-face. Stronger efforts are being made to provide Bloodborne Pathogens training to all new hires within 10 days of hire, and the training is in the process of being converted to an online course. The A&M System is currently testing the online course and expects to go live by November 2010.

3. Safety Guidelines and Procedures

Observation

Increased formalization of safety and security processes is needed through the development of additional procedures and documentation to ensure that these processes are functioning effectively and demonstrate safety and security efforts undertaken by the University. Although current University safety programs provide guidance over the most significant health and safety areas such as chemical and biological safety, improvement is needed to better cover other safety areas included in the A&M System health and safety standards. In addition, some of these safety programs have not been updated since 2002. Lack of resources within the Safety Office in the past limited the ability to develop and maintain the safety program procedures. However, two additional health and safety personnel were hired in 2009, and Safety Office personnel are currently working to update and expand current University safety programs. The University’s Safety Office also lacks a set of standard operating procedures to support safety operations and processes (e.g. lab inspections, safety training, incident reporting, tracking and follow-up of inspection deficiencies identified, etc.).

The Texas A&M System Supplemental Risk Management Standards involving health and safety require that standard operating procedures be developed and published on identified health and safety hazards to reduce risks to faculty, staff, students, and visitors.

Recommendation

Continue expanding and updating current guidance on University safety programs for the environmental health and safety program. Structure and align these programs to the health and safety
standards required by A&M System regulations to better ensure that adequate safety guidance is available for all required health and safety areas. Review and update guidance on an annual basis.

Develop and implement standard operating procedures for the University’s Safety Office.

Management’s Response

Safety program guidance for the remaining System health and safety standards relevant to the University will be developed by November 30, 2011, and updated as necessary annually. Existing safety program guidance will be scheduled for review and updated as necessary annually beginning in fiscal year 2011. Program documentation will be updated to reflect the review date for the program guidance.

The creation of standard operating procedures (SOP) is underway and will be completed by August 31, 2011. A more detailed SOP for the summer camp insurance program was completed in March 2010.

4. Fire and Life Safety

Observation

The University’s Safety Office and the Physical Plant have worked together to address and correct all prior State Fire Marshall issues with the exception of one that is affected by the adequacy of the water supply provided by the city. However, due to a previous lack of resources within the Safety Office, some fire and life safety monitoring processes within the University are weak as noted below:

- Internal fire and life safety inspections are not consistently scheduled and performed.
- No fire and life safety checklists or other form of documentation were being used when performing inspections to better ensure that all facets of fire/building code standards are properly covered.
- Most fire and life safety deficiencies identified are corrected at the time of the inspection. However, it is important to establish a tracking system for the deficiencies, especially as the University continues to grow, to better ensure that all recommendations are implemented or resolved in a timely manner.
4. Fire and Life Safety (cont.)

Physical observation of five buildings determined that most fire extinguishers and sprinklers systems had been inspected timely. However, sporadic instances of noncompliance with other fire and life safety requirements were noted involving primarily emergency exits, electrical safety, and obstruction of fire safety systems. Fire and life safety monitoring processes are necessary to better ensure the safety of students and employees from fire and life safety hazards.

**Recommendation**

Prepare and follow a risk-based fire and life safety inspection schedule including timelines for performing inspections of the various facilities. Utilize a checklist during these inspections to better ensure that all facets of fire/building code standards are properly covered.

Document and submit formal fire and life safety inspection reports to the responsible personnel and provide copies to the respective University management.

Implement a follow-up inspection process that includes documentation and tracking of all fire and life safety deficiencies identified and a follow-up visit to ensure appropriate steps have been taken to correct the identified deficiencies.

**Management’s Response**

A fire and life safety risk analysis for all buildings will be conducted, and a schedule will then be created for inspection purposes based on the risk analysis by August 31, 2010.

*Standard operating procedures will be created by November 30, 2010, that detail a formal inspection process that includes creation of an inspection checklist, documentation and report submission, deficiency tracking, and follow-up inspection processes.*

5. Federal Clery Act

**Observation**

The federal Clery Act requires that universities report statistics for the three most recent calendar years concerning certain crimes on campus, in or on non-campus buildings or property, and on public property that are reported to local police agencies or to a campus security authority. Noncompliance with Clery Act requirements
5. Federal Clery Act (cont.)

could result in significant fines and penalties to the University. During testing of the most recent University Clery Act report (2009), the following conditions were noted:

- One reported 2008 residential sexual assault was not included with the 2009 University Clery data submission as required by the Clery Act.

- No follow-up is performed with campus officials who do not respond to requests for crime data to better ensure the completeness of Clery crime data being reported.

- Casa Ortiz, a University-leased Laredo historical landmark building that hosts some University events involving student organizations, was not included in the 2009 University Crime Awareness and Campus Safety Report as a Non-Campus Building or Property.

- Eight web links within the 2009 University Crime Awareness and Campus Safety Report were not functioning or linked to current Clery reports.

- Three University departmental websites (Office of Student Affairs, Student Judicial Affairs, and Office of Human Resources) that were cited in the 2009 University Crime Awareness and Campus Safety Report as additional offices from which to access the 2009 Report, had web links to non-current Clery reports.

Other issues noted include the daily crime log currently published by the University consisting of a mixture of campus crimes and routine incidents rather than crimes only as stated in the Clery Act. In addition, insufficient documentation is maintained to demonstrate that the crime log is updated in a timely manner.

**Recommendation**

Revise the current Clery Act reporting process to better ensure the completeness and accuracy of the report and compliance with all Clery Act reporting requirements by:

- Proofing numerical Clery data in the annual report, report web links, and the associated departmental web links that are referenced in the Crime Awareness and Campus Safety Reports for accuracy and to ensure all links remain current and accessible throughout the entire University website.
5. Federal Clery Act (cont.)

- Requiring all campus officials who have "significant responsibility for student and campus activities" to report any crimes known to them to the University Police Department, in a timely manner, and return the University Police Department annual Clery data collection form that is emailed to those campus officials, whether they have gathered any Clery data or not. If no response is received, the University Police Department should follow-up to confirm that there was no Clery Act crime data to report.

- Documenting changes or updates to the daily crime log and including only crime data as defined by the Clery Act in this log.

Management’s Response

Clery data will be more closely reviewed, and all web links have been updated as of March 31, 2010. Additionally, “Dear Colleague” letters are now sent to all campus officials with significant responsibility for student and campus activities via e-mail and via our online portal, Uconnect. Police administration will follow up with all campus officials who do not respond either in the affirmative or negative.

The Daily Crime Log has been revised (as shown below) to include only Clery Act defined crimes and now indicates the date of the last update.

6. Camp Administration

Observation

No University rule or comprehensive written operating procedures have been developed to provide standardization and guidance to the administration of university-sponsored camps. As a result, certain safety processes within these camps require improvement to better ensure the safety of camp participants (especially youths). For instance, although background checks or screenings recently
6. Camp Administration (cont.)

began on University employees, no similar checks are being performed on non-University personnel or volunteers prior to working at the camps. In addition, camp documentation is decentralized at the responsible department and standardized forms are not always used making it difficult to ensure all documents are completed, signed, and retained.

Of the seven camps tested for proper safety documentation one camp did not retain any participant safety documentation. Of the 102 camp participants tested in the remaining six camps, seven (7%) did not have a properly completed or signed medical release form and eight (8%) did not have a properly completed or signed liability waiver.

**Recommendation**

Develop a University rule and corresponding written operating procedures for the administration and operation of all university-sponsored camps. Include requirements for use of standardized forms and performance of background checks on all camp personnel (including volunteers, etc.) prior to working at the camp.

Develop checklists for departments to use when administering camps to better ensure that all required camp forms and other documentation are properly completed and signed. Include document retention requirements for these forms and other camp documentation and periodically review for compliance.

As the University hosts more camps consider centralizing the administration of camp documentation to the extent possible for more effective and efficient administration of these camps.

**Management’s Response**

*A University rule will be developed by November 30, 2010.*

*The University intranet, InsideTAMIU, has been updated to reflect the newly adopted standard operating procedures for camp insurance processing. Among the changes, criminal history background checks are now required of all camp personnel (volunteers, employees, independent contractor, etc.), and a checklist has been created for all departments to utilize to help ensure that documentation is properly signed and received in the EHS office within two weeks of camp completion. Camp documentation will be centralized in the EHS office.*
7. Student Travel

Observation

Several types of student travel occur at the University including travel related to student organizations, study abroad, academic field trips, and participation in athletic contests. A University rule for student travel has been established by the University and is in compliance with System Policy 13.04. However, student travel documentation is decentralized at the responsible department and standardized forms are not always used making it difficult to ensure all documents are completed, signed, and retained. Instances of noncompliance with these procedures were noted during a review of student travel documentation at various University departments. This included instances in which all required student travel forms were not completed, not completed accurately, or not required in some cases such as for athletic team travel. In addition, there was no documentation available to ensure that current driver safety requirements related to student travel were being followed.

Recommendation

Revise the current University rule for student travel and/or develop a corresponding standard operating procedure to provide more specific guidance on required forms and driver safety documentation requirements for each type of student travel. Standardize the required student travel forms being used and include references to these forms in the University rule or operating procedures.

Develop checklists for departments to use when planning student travel to better ensure that all required forms and driver safety procedures are being performed and documented. Include retention requirements for these forms and other student travel documentation and periodically review this documentation for compliance. Determine whether release from liability and consent forms are needed for student-athletes during athletic team travel and implement as needed.

Management’s Response

The University rule is currently being reviewed/revised with an anticipated completion date of November 30, 2010. Along with the new rule, there will be standard operating procedures created to assist with student travel that will include checklists, a retention schedule for documentation, and procedures for documentation review by the EHS office.
8. Warehouse Inventory

Observation

Although the Physical Plant maintains a minimal supply inventory of approximately $10,000 to $15,000, additional inventory controls are needed to better protect and account for this inventory. For instance, the University has not established written procedures or guidelines for administering warehouse supply inventory such as periodic physical counts and inventory reconciliations. Lack of adequate controls over the Physical Plant's warehouse inventory operations increase the risk for inappropriate and inefficient use of inventory resources.

The Committee of Sponsoring Organizations Report, Internal Control – Integrated Framework, states that as a physical control – “Equipment, inventories, securities, cash and other assets are secured physically, and periodically counted and compared with amounts shown on control records.”

Recommendation

Prepare written procedures for administering Physical Plant warehouse inventory including periodically counting and reconciling this inventory at least annually. Promptly investigate and correct all differences noted. Ensure that the duties of purchasing, storing, receiving, counting, and reconciling this inventory are appropriately segregated.

Management’s Response

The Physical Plant has upgraded the TMA work order software solution to include a materials management module for warehouse inventory. UPC readers have been ordered to allow tracking of materials used for specific work order requests. We expect the warehouse inventory program will be implemented by February 28, 2011, and standard operating procedures will be written to outline the inventory process including reconciliation.
9. Service Rates

Observation

Processes for establishing and documenting service rates have not been sufficiently developed to ensure compliance with A&M System regulations.

Comprehensive written procedures have not been developed for establishing service rates at the Physical Plant. As a result, portions of the rate setting and cost allocation process may not be adequately documented with supporting schedules and other accounting records in compliance with A&M System regulations. The University’s use of a direct chargeback method in establishing service rates limits the need for extensive rate setting documentation. However, supporting documentation is needed for various estimates and overhead allocations included as part of the rate calculation process. In addition, separate accounting records related to costs, revenues, billings, collections, and surpluses or deficits are required to be developed and adjusted annually for each separate service provided.

A&M System Regulation 21.01.05 states that each System member is responsible for establishing user rates, maintaining proper documentation of rate calculations, verifying that rates are not discriminatory towards different groups of users, and periodically reviewing operations for compliance. Without adequate supporting documentation there is a greater risk that billing rates are not set to recover the costs of providing the respective services. In addition, educational and general funds could indirectly be used to subsidize auxiliary enterprises.

Recommendation

Develop and implement comprehensive written procedures for establishing service rates including adequate documentation of rate calculations in compliance with A&M System Regulation 21.01.05, Service Departments. This documentation includes supporting schedules and accounting records used to establish rates and allocate costs for each service provided, especially those that are not based upon the direct chargeback method such as overhead costs.

Coordinate with the Business Office for assistance in establishing rates and the supporting schedules and accounting records as needed.
Management’s Response

9. Service Rates (cont.)

The department will coordinate with the Business Office to develop and implement standard operating procedures for establishing service rates in order to comply with A&M System Regulation 21.01.05 by February 28, 2011.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the University’s controls and processes over campus safety and security operations to ensure that they provide reasonable assurance that a safe environment exists for students, faculty, and staff. In addition, review and assess the financial and management controls over physical plant operations to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

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

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

Background

The University is committed to a campus environment that protects the safety and the environment of the students, employees, and visitors. The environmental safety function within the Physical Plant, and the University Police Department (UPD), comprise the two most significant elements of the safety and security functions at the University. The Safety Office is staffed by three full-time employees with a fiscal year 2010 operating budget of almost $150,000. The mission of the UPD is to provide the University community with a safe and secure learning and working environment by providing the
highest quality police services, which include prompt response, availability of officers, and informational and instructional services. UPD is staffed by approximately twenty-four full-time employees with a fiscal year 2010 operating budget of over $800,000.

The University’s Physical Plant reports to the Division of Finance and Administration. The mission of the Physical Plant is “to maintain the buildings, grounds, utilities, and real property that are required to run the University in an efficient manner as well as to provide safety training and guidance to the University community in an effort to have a safe place to work and study.” To achieve this mission the Physical Plant is staffed with approximately 30 full-time positions who perform a wide range of services to the University including utility operations, building maintenance, grounds maintenance, and environmental health and safety. The Physical Plant has a fiscal year 2010 operating budget of over $3 million.
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PROJECT SUMMARY

Overview

Financial and management controls over financial aid processes at the Texas A&M University System Health Science Center (HSC) generally ensure resources are used efficiently and effectively and in compliance with laws and regulations except in the areas of cash management and the Federal Operations Report and Application to Participate report process. Opportunities for improvement were also noted in the areas of emergency loans, withdrawals and scholarship procedures.

For academic year 2008-2009, 88% of the students enrolled at the HSC received approximately $37 million in some type of financial aid, such as grants, loans or scholarships. The largest program was federal student loans of approximately $33 million.

Summary of Significant Results

Cash Management

The HSC’s cash draw down process for federal financial aid funds did not ensure that draws were made on a timely basis. Thus, the HSC used its local funds to cover federal financial aid disbursements resulting in the loss of interest and use of those funds until reimbursement from the Department of Education was requested. With the passage of recent federal legislation, the HSC will be required to use the federal direct loan program to draw down student loan funds in the same manner as federal grants. Therefore, the HSC will be drawing down a significantly larger amount of funds (over $32 million) in the upcoming academic year.

Fiscal Operations Report and Application to Participate (FISAP)

The process for developing the HSC’s FISAP does not ensure the information reported to the Department of Education is accurate and supported. A review of the 2008-2009 FISAP found discrepancies and inconsistencies between amounts reported in
the FISAP and amounts in the HSC’s records. Reporting inaccurate information to the Department of Education increases the risk of inaccurate future federal funding.

Summary of Management’s Response

The Texas A&M University System Health Science Center (HSC) implemented the BANNER student information system because it was aware of the risk associated with not using an integrated system. BANNER added structure to many processes related to the administration of student records and enhanced the HSC’s ability to remain in compliance with federal and state laws and regulations. This review of our processes by the System auditors drew attention to administrative processes that need the same type of structure that ensures accountability, execution of duties, compliance, and documentation. The HSC is committed to implementing the controls necessary to ensure the efficient and effective use of resources.

Scope

The review of student financial aid at the Health Science Center focused on federal loans, state aid, institutional loans, cash management, reconciliations, verifications, and withdrawals. Activities related to these areas were reviewed for the period from June 2009 through February 2010. Audit fieldwork was conducted in February and March 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Cash Management

Observation

The cash draw down process for federal financial aid funds did not ensure that draws were made on a timely basis. Thus, the HSC used its local funds to cover federal financial aid disbursements resulting in the loss of interest and use of those funds until reimbursement from the Department of Education was requested. Cash draw downs from the Department of Education were done infrequently, usually about twice per year for federal grant funds. With the passage of recent federal legislation, the HSC will be required to use the federal direct loan program for student loans. The direct loan program requires schools to draw down student loan funds in the same manner as the federal grants. The HSC will be drawing down a significantly larger amount of funds in the upcoming academic year in comparison to current amounts of approximately $180,000. Total federal funds to be drawn down from the Department of Education in academic year 2010-2011 are expected to exceed $32 million.

In the current academic year, it took between 9 and 287 days to draw down funds. A draw for the fall of 2009, totaling approximately $20,000, was not completed until the auditors requested to review draw down records in March 2010. Funds were not requested in a timely manner delaying reimbursement to the HSC for financial aid disbursements already made to students. The current draw down process does not have a comprehensive review to ensure all federal aid awarded and disbursed is equivalent to the funds drawn down. With the implementation of the new student information system, Banner, in academic year 2009-2010, the financial aid function was consolidated and new processes had not been fully established and assigned causing confusion about who was responsible for various steps of the draw down process. Establishing a comprehensive process and formally documenting and communicating procedures to all parties is important to ensure that all parties involved understand their responsibilities.
1. Cash Management (cont.)

**Recommendation**

Develop a comprehensive draw down process that ensures funds awarded and disbursed are requested from the Department of Education for reimbursement in a timely manner. Establish procedures that clearly communicate responsibilities for all parties involved in the process and monitor to ensure procedures are being followed.

**Management’s Response**

*Management has developed a plan that assigns accountability for the notification of when amounts are available to be drawn down from the Department of Education (DOE) and has assigned the responsibility of drawing down funds to the Office of Student Business Services. Funds that are drawn have to be disbursed to students within three days of receipt. To ensure that this federal requirement is met, the Health Science Center will not draw funds until awards have been disbursed to a student’s account and the disbursement record is accepted by the DOE. Funds drawn from DOE using this schedule will arrive at the HSC before any funds are remitted to students as a result of overpayment of their accounts.*

*When Student Business Services initiates a draw down, a copy of the request is maintained for reconciliation purposes and forwarded to Finance & Administration so the receipt of funds can be confirmed. This process will be implemented in BANNER Workflow so all steps — notice to draw down funds, request of funds from DOE, and receipt of funds — can be tracked and maintained as a permanent record of the process and compliance with the DOE cash management regulations.*

*Implementation: The cash management process has been implemented. The target date for implementation of the BANNER Workflow structure is November 30, 2010.*

2. Fiscal Operations Report and Application to Participate (FISAP)

**Observation**

*The FISAP process does not ensure accurate reporting.*

The process for developing the institution’s FISAP does not ensure that the information reported to the Department of Education is accurate and supported. A review of the 2008-2009 FISAP found discrepancies and inconsistencies between amounts reported in the FISAP and amounts in the HSC’s records. Undergraduate tuition and fees were overstated by approximately $55,000. Graduate
tuition and fees were understated by approximately $887,000. The state grants and scholarships were understated by $1,500.

The annual FISAP reporting process did not include a documented reconciliation and verification of accuracy by both the Office of Student Financial Aid and Financial Services prior to submission. Reconciliations are necessary to identify differences between two or more sets of records or systems. Without a reconciliation to ensure all records and systems are in agreement and verification of final report amounts by all parties involved, the risk is increased that errors or discrepancies would remain undetected and not be corrected before the FISAP is submitted. The FISAP is prepared annually and submitted to the Department of Education to ensure continued funding for several federal programs. If the HSC submits inaccurate information, there is a risk that future federal funding would not be accurate.

Recommendation

Develop and implement a formal reconciliation process to ensure the accuracy of the data used to prepare the FISAP is in agreement with official financial records and the student information system. Develop and implement a process to maintain comprehensive records to support the numbers reported on the FISAP.

Management’s Response

The main reason for the implementation of the BANNER student information system was so that the HSC would have an integrated system for maintaining records for all students, regardless of location, that was consistent across the Office of the Registrar, Office of Student Financial Aid, and the Office of Student Business Services. Beginning in October of 2010, the Office of Student Financial Aid will prepare the FISAP in BANNER using parameters that meet regulatory guidelines and produce documentation to support all numbers reported.

In addition, reconciliation will be done at a minimum on a monthly basis for all federal and state accounts. Accounts will be reconciled between student awards, disbursements, refunds, posting to the general ledger, and the appropriate draw down of federal funds.

Implementation: The documentation of monthly reconciliations was implemented May 31, 2010 and verification of the process will be stored in the Banner Data Management System.
3. Withdrawal Process

Observation

The student withdrawal process does not ensure that all steps are completed through billing and collection for any student charges resulting from the withdrawal. The Offices of Student Financial Aid and Student Business Services have not established a comprehensive process to include timely notifications to students, proper collection procedures, retention of withdrawal documentation, and communication between the two departments. Documentation is not maintained throughout the withdrawal process to support that students were notified of the return of their financial aid and resulting balances due from the student to the HSC. In addition to implementation of the new student system and related process changes, there has been turnover in personnel involved in the withdrawal and return of funds procedures. Establishing comprehensive procedures for all departments involved, including record retention requirements, ensures that all parties involved understand their responsibilities and that information is communicated between departments and individuals in a timely manner.

Recommendation

Develop a comprehensive withdrawal process that ensures timely notification to students, collections of student receivables, and maintenance of all documentation involved with the process for evidence of its completion.

Management's Response

A formalized process for tracking student withdrawals was already under design in BANNER Workflow at the time of the audit review. The workflow process guides personnel at all levels to ensure that all necessary steps are followed, documented, and preserved. The review resulted in the HSC further enhancing the scope of the withdrawal process to include proper notification to the students of any financial impact the withdrawal may have had on them and their responsibilities related to that impact. Student Business Services is in the process of contracting with additional services for the servicing of past due accounts and has established a due diligence schedule to handle those accounts.

Implementation: The workflow process is in testing currently and targeted to be in production by August 31, 2010.
4. Emergency Loan Management

Observation

<table>
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<tr>
<th>Procedures are not in place to ensure reconciling items are cleared in a timely manner.</th>
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The reconciliation process for student emergency loan accounts did not ensure that differences between the Financial Accounting Management Information System and the departmental loan records were resolved timely. Financial Services performed the reconciliations and notified Student Business Services if corrections were needed to resolve differences (reconciling items). However, corrections to loan records were not made by Student Business Services in a timely manner as reconciling items posted in August 2009 were still outstanding in January 2010. An effective reconciliation process includes monitoring procedures to ensure that reconciliations are completed and the reconciling items are cleared in a timely manner. Without adequate review and monitoring procedures the risk is increased that errors or discrepancies would not be detected and corrected.

Recommendation

Establish reconciliation processes that ensure that corrective actions are completed in a timely manner and emergency loan records are accurately maintained.

Management's Response

Emergency loans will be reconciled monthly to account for any accrual of interest or other charges and serviced according to the due diligence schedule established to handle these accounts. The HSC is revising its Emergency Tuition Loan promissory note to charge a flat fee of $25.00 for a student to receive an emergency loan. HSC legal counsel is reviewing the promissory note to ensure that it complies with all federal and state laws and regulations.

*Implementation: The new promissory note is currently under review by HSC legal counsel. The target date for the revised form to be available for use is August 31, 2010.*

5. Scholarship Procedures

Observation

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<th>The HSC has not established procedures for retaining documentation to support scholarship awards.</th>
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The HSC does not have procedures outlining the type of required documentation to be maintained at the department level for scholarship awards. Departments are responsible for managing and awarding scholarships. Without comprehensive procedures to guide
5. Scholarship Procedures (cont.)

Departments the risk is increased that records are not retained to support scholarship awards. The awarding of scholarships is a more subjective process than the awards for grants and loans, which are primarily based upon need. Procedures for consistent documentation and records retention to support scholarship decisions would be a proactive step by the HSC to reduce risk and enhance accountability. Without formal administrative procedures, scholarships may not be made on an objective basis or meet donor intent.

**Recommendation**

Develop comprehensive procedures that define the type of documentation that departments should maintain to support scholarship awards.

**Management’s Response**

The HSC has a distributed model of scholarship administration. In this model, the Office of Student Financial Aid only processes awards to students at the request of the awarding department. The HSC is revising an existing internal policy, 13.03.99.Z1.01, Scholarship Compliance Committee, to include the minimum acceptable standards for the promotion of opportunities, collection of applications, review of applications, selection of recipients, and documentation that each department awarding scholarship funds must maintain.

*Implementation: The revised Scholarship policy is currently being distributed to departments for comment. The target date to present this policy to the HSC Executive Committee for approval is August 31, 2010.*
BASIS OF REVIEW

Objective

The objective of the review was to evaluate the financial and management controls over the Health Science Center’s student financial aid system to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and Health Science Center rules.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the Federal Code of Regulations and the Federal Student Financial Aid Handbook; the Texas A&M University System Health Science Center’s Rules and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Texas A&M University System Health Science Center is an assembly of colleges devoted to educating health professionals. The HSC consists of a headquarters office and seven components: Baylor College of Dentistry; College of Medicine; College of Nursing; Graduate School of Biomedical Sciences in Dallas, College Station, and Houston; Institute of Biosciences and Technology; Irma Lerma Rangel College of Pharmacy; and the School of Rural Public Health. Approximately 1,850 students were enrolled at the HSC during academic year 2008-2009. A large percentage of students, 88%, received some type of student financial aid which highlights the importance of student financial aid for this institution and its students. The HSC implemented a new student information system, Banner, during academic year 2009-2010 for more efficient and effective management and delivery of student financial aid.
AUDIT TEAM INFORMATION

<table>
<thead>
<tr>
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<tr>
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<td>Katie Rannebarger, CPA</td>
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<table>
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<td>Mr. Andrew Startz, Director, Student Business Services</td>
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</table>
PROJECT SUMMARY

The recruiting, admissions, and enrollment management processes at Tarleton State University generally ensure resources are used effectively and efficiently and in compliance with laws, policies, and regulations. Weaknesses were noted in admissions documentation and data entry. Without monitoring processes to verify the accuracy of information and admissions decisions, the risk is increased that unqualified students will be admitted to the University and that documentation to support admissions decisions will not be available.

Total enrollment for fall 2009 was 8,598, an 11% increase from fall 2008. Over 60% of undergraduate students are first generation students. The University has recently engaged in a contract with an enrollment management consulting firm to review and enhance student recruitment, admissions, and enrollment management efforts. In addition, new recruiting software was recently implemented that provides for more effective and efficient use of recruiting resources. Software to enhance process workflow for the student information system has been purchased, but has not yet been implemented.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Admissions Documentation and Data Entry Errors

Observation

| Processes were not in place to identify and correct documentation and data entry errors in admissions files. |
| Eight of sixty (13%) student admission files reviewed had documentation or data entry errors. Admission file information was reviewed in the University’s student information system, Banner, and the corresponding imaged document files. The imaged documents are the original source documents for the information recorded in Banner. While the errors did not result in incorrect admission decisions, there is an increased risk of admitting unqualified students in the future if the related data is incorrect. The data errors included: |
Three student files were missing imaged source documents. For example, one freshman file and one transfer file were missing application forms. A second transfer student's file was missing a transcript from a community college to support the transfer credit hours posted to Banner.

Four student files contained additional misfiled, imaged documents:

- One student’s file contained imaged enrollment applications for four other students.
- One student's file included a high school transcript for one other student.
- One student's file contained an imaged application for another student, but the file did not contain their own application.
- One student’s file contained imaged college entrance exam scores for a different student.

The student information system, Banner, also contained data entry errors for two students. One student data file had a transfer course entered into Banner twice (duplicate entry). Another student's data file contained an error in the number of transferred hours.

Effective monitoring procedures have not been established to ensure that documentation and data entry for student admissions files is accurate and complete. The State of Texas Records Retention Schedule requires that documents for applicants that attend the University must be retained for a period of five years after their graduation date or the date of last attendance. The tasks of imaging and electronically filing student records are primarily performed by student workers. The student workers have multiple duties and there is a high level of turnover in the student worker positions. Frequent interruptions while performing detail tasks and inconsistency of personnel, particularly student workers, are likely to contribute to higher error rates. Without effective monitoring processes to ensure the accuracy and completeness of records, the risks of incomplete, inaccurate student records and any related incorrect admission decisions are increased.
Recommendation

Review the imaging and data entry processes to determine if changes in staffing or position duties are needed to reduce error rates. Establish procedures to monitor and ensure that student admissions files are accurate and complete.

Management’s Response

After the student applications are uploaded into Banner, a full-time employee will index the student applications. When processing the individual application, the employee will verify that the application is imaged correctly in WebXtender and then begin processing the application in Banner. This will ensure that applications are imaged correctly and a full-time staff member will be held accountable for the accuracy of the student records.

Undergraduate Admissions will designate one student worker to image and index documents that were previously processed by multiple student workers who had additional duties.

Undergraduate Admissions will monitor data entry processes by pulling a sample of students each week to verify that data was entered correctly into Banner and WebXtender.

These processes will be documented in all procedure manuals by May 31, 2010.

2. Comprehensive Exam Forms

Observation

Comprehensive exam forms did not consistently include required signatures.

Comprehensive exam forms, used to document that graduate students have met the exam requirement for graduation, were missing one or more signatures for six of fifteen (40%) graduate student files reviewed. The form was available on the Office of Graduate Studies website for use by colleges; however, actual forms used varied by college. While the Office of Graduate Studies accepted any form submitted by the colleges, they did not ensure the forms were properly completed. Without monitoring to ensure all colleges are completing the required form, the risk is increased that students may be processed for graduation without the requisite academic requirements.
**Recommendation**

Develop procedures for using standardized comprehensive exam forms. Document the Office of Graduate Studies review to ensure forms are properly completed and all signatures are obtained.

**Management’s Response**

The College of Graduate Studies (COGS) has implemented a standardized comprehensive exam form (available via the COGS website) that all departments have been directed to use. The Assistant to the Dean will monitor the use of the form to ensure proper procedures are followed.
BASIS OF REVIEW

Objective and Scope

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

Criteria

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

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

Background

Tarleton State University was established in 1899 and joined the A&M System in 1917. The University is experiencing significant new growth in engineering and health care-related programs as well as extending various undergraduate and graduate programs into Fort Worth, Waco, Weatherford and Cleburne. Enrollment in fall 2009 was 8,598 (does not include TAMU-Central Texas). The University provides limited admissions support for Texas A&M University – Central Texas which had a fall 2009 enrollment of 2,173 students.
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