The Texas A&M University System Internal Audit Department

THIRD QUARTER REPORT
FISCAL YEAR 2011

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<table>
<thead>
<tr>
<th>Report</th>
<th>Texas A&amp;M University</th>
<th>Review of University Dining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report</td>
<td>Texas A&amp;M University – Commerce</td>
<td>Review of Human Resources</td>
</tr>
<tr>
<td>Report</td>
<td>Texas A&amp;M University</td>
<td>Review of Camps and Enrichment Programs</td>
</tr>
<tr>
<td>Report</td>
<td>Texas A&amp;M Health Science Center</td>
<td>Review of Plant Operations</td>
</tr>
<tr>
<td>Report</td>
<td>Texas Engineering Experiment Station</td>
<td>Review of Research Administration</td>
</tr>
<tr>
<td>Report</td>
<td>Texas A&amp;M University – Corpus Christi</td>
<td>Review of Environmental Health, Safety and Security</td>
</tr>
<tr>
<td>Report</td>
<td>Texas A&amp;M University - Kingsville</td>
<td>Review of Student Health and Wellness</td>
</tr>
<tr>
<td>Report</td>
<td>Texas AgriLife Research and Texas AgriLife Extension Service</td>
<td>Review of Infrastructure</td>
</tr>
<tr>
<td>Report</td>
<td>Texas A&amp;M Health Science Center</td>
<td>Review of the Irma Lerma Rangel College of Pharmacy</td>
</tr>
</tbody>
</table>
TEXAS A&M UNIVERSITY

Review of University Dining

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

Overview

Texas A&M University has struggled over the past several years to provide University Dining with an effective organizational structure, consistent leadership, and strategic direction necessary to successfully manage a financially-viable dining operation. Since fiscal year 2005, University Dining has reported to three different associate vice presidents, had three different executive directors, three organizational names, and has been moved from the Administration division to the Finance division and back to the Administration division.

Significant improvements are needed in the stability and strategic direction of University Dining to ensure that resources are used efficiently and effectively and that financial stability is achieved and maintained. University Dining has seen its fund equity and cash position decline significantly as it has experienced operating losses (including depreciation expense) in each of the past six years. In addition, significant improvements are needed in the administration and oversight of logical security and other general information technology (IT) controls, especially over University Dining’s critical point-of-sale system.

University Dining operates over 23 different food venues across the campus with an annual operating budget of approximately $28 million. For the purpose of this report, University Dining also includes University Catering and the University Club.

Summary of Significant Results

Strategic Direction and Financial Performance

Due to a lack of stability and strategic direction, University Dining’s financial position has decreased significantly since fiscal year 2005. Fund equity has declined 37% (over $7.5 million) with net operating losses in each of the last six years. University Dining’s cash position has also decreased over 70% ($10.3 million) during this time due to the operating losses and debt service payments.
made on outstanding bonds payable of $8.5 million. University Dining had about $4 million in cash at August 31, 2010. Unless its income before depreciation can be increased to cover current operating expenses, debt service payments, and loan payments, University Dining’s reserves will run out. Stability in leadership and a viable strategic plan are needed in order to ensure the future financial success of University Dining.

Information Technology Administration

Administration and oversight of logical security and other general information technology (IT) controls, especially over University Dining’s critical point-of-sale system, requires improvement. Testing of Oracle and SQL databases and servers supporting the point-of-sale system and other University Dining information resources indicated varying degrees of weak logical security practices related to passwords, patch management, account management, pre-login agreements, and service level agreements for hosted services. The failure to implement strong logical security practices and enforce and monitor prudent IT controls can lead to sensitive data and systems being compromised as well as possible disruption of its critical services.

Summary of Management’s Response

Management concurs with the recommendations of the audit report. A consultant is being engaged to assist with identifying a management structure that best facilitates the effective management and strategic planning of University Dining. Also, the consultant will be able to facilitate input to University Dining’s strategic plan, to include Residence Life and the Division of Finance, as well as addressing the condition of facilities and the need for a chief financial officer position.

In regards to information technology administration, all the recommendations are currently in the process of being implemented.

Scope

The review of University Dining focused on the areas of financial viability, facilities condition analysis, employee and customer service, payroll reconciliations, inventory management, employee safety and training, cash handling and account receivables. The review focused primarily on activities from September 1, 2009 through December 31, 2010. Fieldwork was conducted from December 2010 to April 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Strategic Direction and Financial Performance

Observation

Texas A&M University has struggled to provide University Dining with the strategic direction and oversight necessary to effectively manage the risks associated with running a financially-viable dining operation. Since fiscal year 2005, University Dining has reported to three different associate vice presidents, had three different executive directors, three organizational names, and has been moved from the Administration division to the Finance division and back to the Administration division.

University Dining’s financial position has decreased significantly since fiscal year 2005 as fund equity has declined 37% (over $7.5 million) with net operating losses (including depreciation) in each of the last six years. University Dining's cash position has also decreased over 70% ($10.3 million) during this time due to its operating losses and debt service payments made on bonds payable. University Dining had outstanding bonds payable of $8.5 million as of August 31, 2010.

In addition to bonds, University Dining borrowed $600,000 from the University to renovate the University Club in 2006 and received an additional $1.9 million for equipment in 2010. University Dining is making the interest and debt service payments related to the bonds; however, only one payment has been made on the 2006 loan and the first annual payment on the 2010 loan is due July 2011. Unless its income before depreciation can be increased to cover operating expenses, debt service payments, and loan payments, University Dining’s reserves will run out.

University Dining has also not been able to generate sufficient income to cover ongoing maintenance and repair of its facilities resulting in a significant backlog in plant adaptation, deferred maintenance, and plant renewal. A third-party facilities condition analysis performed in July 2009 estimated the backlog at $21.3 million.

During this period, a number of different strategic and operational type plans have been developed for University Dining by both management and consultants. In 2007, the University hired...
consultants to prepare a feasibility study and master plan for the Commons Dining Hall and Sbisa Dining Hall at a cost of approximately $200,000. In 2008, University Dining hired a consulting company to provide a five-year strategic plan and management consultancy at a cost of approximately $100,000. The strategic plan was never developed and provided by the consulting company. University Dining also developed several plans during this time period, including one in June 2006 and another in November 2008. More recently, University Dining created a plan that identified different options to help address its financial position; however, none of the options resulted in University Dining operating in a positive financial position over the next several years.

The University also recently commissioned an internal committee to review the scope and functionality of auxiliary operations, including dining services, at peer institutions across the United States. The committee found that 24 out of the 28 peer institutions contacted had dining services and student housing reporting through one vice president. University Dining at Texas A&M reports to the Vice President of Administration and student housing (Residence Life) reports to the Vice President of Student Affairs. Financial reporting for University Dining is performed by employees reporting up through the Vice President for Finance. Some strategic decisions made by these three different parties regarding dining services or student housing operations can have a significant impact on the other’s operations. Interviews with management of Student Affairs, Finance and University Dining indicated that the three divisions have not always collaborated sufficiently to ensure that strategic decisions made by the different parties will support the viability of University Dining’s financial plans and decisions.

The National Association of College and University Business Officer’s (NACUBO) College and University Business Administration guidelines states that auxiliary enterprises should reflect the quality of service that a college or university desires for its students, faculty, staff, and alumni. The guidelines state that the auxiliary enterprises’ director should develop objectives and strategies consistent with and in support of institutional goals. There should be objectives concerning sales, marketing, net income, efficiency, quality of product and service, employee relations, and social responsibility. Although development of program policies and management of auxiliary enterprises are the responsibilities of the director, he or she should seek advice and cooperation from other representatives of the institutional community, including students.

The guidelines also state that long-range financial planning is essential to meet continuing requirements of those who use auxiliary enterprises and other services and to accommodate
changes in the institution’s environment. The foundation of successful management is effective planning; this should precede all other administrative functions. The provision for and protection of reserves adequate to finance short- and long-term replacement and renovation needs are integral parts of effective planning.

Without consistent leadership and a collaborative, sustainable long-range plan for University Dining, the University’s risk for ineffective and inefficient dining services continues to increase.

Recommendation

Develop a strategic plan for University Dining through a collaborative process involving University Dining, Residence Life and the Division of Finance. The plan should establish short- and long-range goals and strategies to ensure the financial success of University Dining. In addition, the plan should address the condition of facilities to ensure that facilities are maintained in support of the University’s goals for University Dining.

The University should identify a management structure that best facilitates the effective management and strategic planning of University Dining. For instance, consideration should be given to having dining services and student housing report to the same vice president given that 85% of peer institutions contacted are structured in this manner. Also, consider establishing a full-time chief financial officer position for University Dining to effectively lead and manage the financial activities over this $28 million operation.

Management’s Response

The University administration recognizes its struggle to provide University Dining with the strategic direction and oversight necessary to effectively manage the risks associated with running a financially-viable dining operation. The new Vice President for Administration is in the process of hiring a consultant who will provide a review and analysis of all current dining operations at Texas A&M University. The review will include an analysis of University Dining’s existing model and plans and an assessment of alternate models for the 21st century university dining operation. The consultant will interface regularly with a newly appointed University Dining Review Team which is comprised of students, faculty, staff and affiliated groups’ representatives—including Residence Life and the Division of Finance—to ensure campus expectations are being addressed and that the final report is consistent with Texas A&M’s campus and customer culture, expectations, and values.
1. Strategic Direction and Financial Performance (cont.)

Upon selection of the consultant, a timeline will be developed for completion of the review, currently projected to be October 2011. The Vice President for Administration, taking into consideration the advice of the University Dining Review Team, will make a final recommendation to the president regarding recommendations of the consultant. At that time it will be determined if a chief financial officer position for University Dining will be established or if that function can best be handled through some other mechanism.

Target Implementation: February 29, 2012

2. Information Technology Administration

Observation

Administration and oversight of logical security and other general information technology (IT) controls, especially over University Dining’s critical point-of-sale system, requires improvement. Testing of Oracle and SQL databases and servers supporting the point-of-sale system and other University Dining information resources indicated varying degrees of weak logical security practices related to passwords, patch management, account management, pre-login agreements, and service level agreements for hosted services. Specific logical security issues noted include:

- Oracle and MS SQL database servers tested which support the critical point-of-sale system were determined to have weak password controls in place including default vendor password settings which often require little or no minimum password length, no enforced complexity, and insufficient password aging and history. In addition, non-compliant passwords were being used by trusted personnel.

- No patching had been performed for the current point-of-sale system’s Oracle database. Management and IT personnel were unaware of Oracle patching and product life cycles, such that they were not aware of the impending loss of support of their point-of-sale system’s database product, which is critical to University Dining. The point-of-sale system vendor responded that an upgrade of their application would be required to move to a supported Oracle database version, resulting in additional costs and a migration of the current system to the updated product. In addition, operating system patch updates on one domain used by University Dining had extensive gaps and two other Windows servers tested supporting the current point-of-sale system had smaller gaps.
2. Information Technology Administration (cont.)

- Situations involving weak account management practices were identified including unneeded access for 14 of 18 user accounts on one of the department's two domains. These accounts were deleted immediately upon notification; however, no change control process was followed to ensure the deletion of the accounts would be captured and that management was aware of and could approve removal. In addition, a small number of active Oracle user accounts were also determined to be unneeded.

- Pre-login agreements were not being presented for the two domains used by University Dining.

Transportation Services is providing mail, domain, and backup services to University Dining. However, no service level agreement is in place stating specific roles, responsibilities, remedies, etc. for both parties in the shared services arrangement. University Dining IT personnel were unaware of the current backup schedules for the hosted University Dining data.

Pre-deployment hardening of servers and databases along with subsequent monitoring and enforcement of current IT standards is not sufficiently performed for University Dining information resources. In addition, several areas of IT risk noted during the audit were not included in the most recent IT risk assessment.

The failure to implement strong logical security practices and enforce and monitor prudent IT controls can lead to sensitive data and systems being compromised as well as possible disruption of critical services. For instance, the Oracle and MS SQL databases tested support the meal plan and point-of-sale systems which if not properly administered and maintained with a supported version could significantly impact University Dining operations.

Recommendation

Augment standard system hardening procedures to include use of compliant pre-login security/usage banners and enhance the current IT risk assessment to better ensure all areas of risks and noncompliance are identified and addressed.

Implement University Standard Administration Procedure (SAP) compliant password enforcement criterion across operating systems, databases, and applications. For privileged accounts, such as super-user and service accounts, implement passwords that sufficiently exceed the minimum requirements that unprivileged users are held to.
Develop and implement a patch management solution that encompasses operating systems and applications. Develop a plan and budget to upgrade the current point-of-sale application in order for this critical system to run on supported products that receive vendor support.

Remove user access in a timely manner when an employee no longer needs access, a consultant is no longer needed, etc. For those requiring access beyond the norms established by organizational policy, written and approved authorization should be required with defined expirations. Implement a process for periodically reviewing existing accounts for validity and ongoing need.

Develop a service level agreement for the IT responsibilities and expectations between University Dining and Transportation Services. The service level agreement should be approved by management, and periodically reviewed to ensure that obligations are being met.

Develop and implement security baseline standards for the platforms and applications used by Dining Services (e.g. Linux, Mac OS X, Windows servers, and Oracle) including the critical point-of-sale system. The baseline standard should include, but is not limited to, enforcing at least appropriate minimum security settings that reflect the University's SAPs. Monitor on a periodic basis for compliance with these standards.

Management's Response

University Dining has taken or is in the process of completing the following actions to improve information technology controls:

- Compliant pre-login agreements for all University Dining domains were implemented on January 26, 2011. Procedures will be enhanced for completing the annual IT risk assessment and addressing identified risk areas according to our written response to the Information Security Awareness, Assessment, and Compliance System (ISAAC). Additionally, our standard operating procedures will be reviewed and updated as needed based on findings from the annual risk assessment.

- Password controls on operating systems, databases and applications will be modified to enforce passwords compliant with the University's Standard Administrative Procedure 29.01.99.M1.14, Information Resources – Password/Authentication. Additionally, super-user and service accounts
will require passwords that sufficiently exceed the minimum requirements of other users.

- A patch management process will be developed and documented for all operating systems and applications. The most recent patching has been performed for the current point-of-sale system’s Oracle database. Also, the latest upgrade to the current point-of-sale system application has been purchased and is scheduled for installation well in advance of the expiration of vendor support. Additionally, University Dining utilizes Windows’ Servers Update Service 3.0 to manage patch updates for Windows’ servers and desktop applications.

- To help ensure user access is removed in a timely manner, IT personnel now directly receive e-mail notifications from University Dining’s human resources regarding employee terminations. To further strengthen account management, individuals requiring access beyond the norms will require written and approved authorization with defined expirations and a process will be established to periodically review existing accounts for validity and ongoing need.

- A service level agreement defining IT responsibilities and expectations between University Dining and Transportation Services will be put in place and reviewed annually to ensure that obligations are being met.

- Security baseline standards will be developed for the platforms and applications used by University Dining. Standards will include security settings outlined in the University’s SAPs as well as pre-deployment hardening procedures for servers and databases, and any other University Dining specific requirements. Standards will be monitored on a periodic basis for compliance.

The department’s written standard operating procedures will be updated to reflect these modifications in procedures. Processes will be in place and action items completed by August 31, 2011.

Target Implementation: August 31, 2011.
BASIS OF REVIEW

Objective

The objective of this audit was to review the financial and management controls over University Dining to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules.

Criteria

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

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

Background

University Dining is an auxiliary enterprise of Texas A&M University. University Dining operates two dining centers, one of which serves the Corps of Cadets, four multiunit food courts, five stand-alone retail units, eight coffee and food kiosks, two convenience stores, a full-service catering and event planning operation and the University Club. More than 60% of University Dining’s food sales of $25 million are generated from students living on campus.
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The Texas A&M University System Internal Audit Department

Third Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY - COMMERCE

Review of Human Resources

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

Project #20112101
PROJECT SUMMARY

Overview

Human resources management processes and controls at Texas A&M University - Commerce require significant improvement to ensure that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations and rules. Significant weaknesses were identified in the University's non-faculty hiring process, completion of Form I-9s, and the employee termination process. Improvement should also be made in the documentation of the handling of non-faculty employee grievances.

Summary of Significant Results

Non-Faculty Hiring Process

The University does not have comprehensive rules and procedures for the non-faculty hiring process or documentation requirements such as hiring matrices, interview questions and responses, and credential verifications. Employee hiring files did not consistently contain the appropriate information to support the selection of the employee hired. Various hiring file documentation was lacking including verification of educational degrees, reference checks, interview questions and responses, and applicant ratings or scores. Weaknesses noted in documentation to support hiring decisions increases the risk that the University cannot demonstrate that the best qualified candidate for the position is hired and that the hiring decision is supported and well documented.
Form I-9 Completion

Form I-9s, Employment Eligibility Verification, are not being completed accurately and timely in accordance with Department of Homeland Security requirements. Fifty percent of Form I-9s reviewed were not completed accurately and/or timely. Failure to complete the Form I-9s accurately and timely puts the University at risk for possible civil and criminal penalties levied according to the Immigration Reform and Control Act of 1986.

Employee Termination Process

The employee termination process does not ensure that University resources and property are returned upon separation of employment. Limited guidance and lack of monitoring employee terminations increases the risk that University property is not returned or access to University property is not revoked timely, which could result in the loss or misuse of University resources.

Summary of Management’s Response

The University procedures will be reviewed, new procedures written, and changes incorporated into a comprehensive set of procedures and guidelines covering all hires and the termination process. The procedures will include documents, verifications and any status reporting requirements necessary to ensure that all hiring standards have been met and documented in compliance with System regulations. These procedures will incorporate the necessary training requirements for all personnel. These procedures and processes will be completed by August 31, 2011.

Scope

The review of human resources processes at Texas A&M University – Commerce focused on the areas of hiring, state-mandated training, Form I-9 completion, performance evaluations, terminations, and employee grievances for the period of October 1, 2009 through September 30, 2010. Audit tests did not include faculty with the exception of required training and termination procedures. Fieldwork was conducted from November 2010 to January 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Non-Faculty Hiring Process

Observation

The University does not have comprehensive rules and procedures for the non-faculty hiring process including documentation requirements such as hiring matrices, interview questions and responses, reference checks, and job-related credential verifications. The hiring process for support staff positions is not documented and has been informally communicated to hiring supervisors on an as-needed basis. There is no requirement that hiring supervisors complete formal training prior to hiring for a vacant staff-level position. Procedures are currently in place for professional-level hires that require a member of the Office of Human Resources to provide training to the search committee prior to filling a vacant professional-level position. However, the training does not address the specific supporting documentation required to be included in the hiring file.

Hiring files reviewed did not consistently contain appropriate information to support the selection of the employee hired and demonstrate that the best qualified candidate was selected in an objective and unbiased evaluation of the candidates. Of the 21 hiring files reviewed (7 professional and 14 support staff), 14 (67%) had incomplete documentation (some had multiple exceptions) as noted below:

- Seven did not have documentation of the applicants’ ratings or scores on the hiring matrix (3 professional and 4 support staff).
- Three did not have documented interview questions and responses (all professional).
- Twelve did not have documentation of reference checks (1 professional and 11 support staff).
- Three did not have documentation of degree verifications (all support staff). Sixteen of the applicants hired indicated that they had a degree.
1. Non-Faculty Hiring Process (cont.)

For both support staff and professional-level hiring categories, hiring supervisors are not required to submit appropriate hiring documentation, including the hiring matrix, interview questions and notes, to the Office of Human Resources prior to extending an offer to a successful candidate. There is no formal monitoring system in place to promote and verify compliance with hiring procedures.

A&M System Regulation 33.99.01 requires that employment decisions be based on job-related factors such as education, experience, knowledge, skills, abilities, license/certification requirements, results of reference checks, and success in previous employment. It also requires that relevant information acquired during the hiring process be retained. Documentation requirements such as completing reference checks, degree and experience verifications provide corroborative evidence of the applicant's expertise, accomplishments, and character. Properly completing the hiring process, including documentation of the hiring process, also reduces the risk that supervisors will not hire the most qualified applicant.

**Recommendation**

Create University rules or procedures to be followed in the hiring process for non-faculty hires. Require verification of all job-related credentials (to include degree verifications, military experience, and foster child status). Establish hiring documentation requirements to ensure that hiring files contain appropriate information to demonstrate qualified candidates are selected in compliance with A&M System regulations. Require hiring supervisors to attend training periodically to maintain their awareness of what information needs to be documented and retained as part of the hiring process. Monitor to ensure that procedures have been followed and that all required hiring documentation is received by the Office of Human Resources.

**Management's Response**

*The University procedures will be reviewed, new procedures written, and changes incorporated into a comprehensive set of procedures and guidelines covering all hires. The procedures will include all verifications and any status reporting requirements necessary to ensure that all hiring standards have been met and documented to demonstrate that qualified candidates are selected in compliance with System regulations. These procedures will incorporate the necessary training requirements for all hiring personnel. These procedures and processes will be completed by August 31, 2011.*
2. Form I-9 Completion

Observation

The University is not ensuring that Form I-9s, Employment Eligibility Verification, are completed accurately and timely in accordance with Department of Homeland Security requirements. Fourteen of 28 (50%) Form I-9s reviewed were not completed accurately and/or timely (some had multiple exceptions). Four were not dated, eight were missing information (i.e. driver’s license expiration date and issuing state) and three were completed after the employee’s third day of employment. Completion of Form I-9s are centralized in the Office of Human Resources; however, various employees complete the forms and there has been no formal training provided on this process.

The Department of Homeland Security, US Citizenship and Immigration Services’ Instructions OMB No. 1615-0047 on Form I-9s states that “Employers must sign and date the certification in Section 2” and “Employers must complete Section 2 by examining evidence of identity and employment eligibility within three (3) business days of the date employment begins.” Failure to complete the Form I-9s accurately and timely puts the University at risk for possible civil and criminal penalties levied according to the Immigration Reform and Control Act of 1986.

Recommendation

Provide training on the Department of Homeland Security’s requirements regarding completion of Form I-9s. Monitor the completion of Form I-9s to ensure they are completed accurately and timely.

Management’s Response

All hiring personnel will be trained on the requirements regarding completion of the Form I-9s and a process will be initiated to require a new employee to complete the Form I-9 prior to their first work day and provide all necessary documentation within the first 3 days of employment. A process for monitoring completion of the employee Form I-9s will be implemented immediately. Training shall be provided and procedures initiated by August 31, 2011.
3. Employee Termination Process

Observation

The employee termination process does not ensure that University property and resources are returned upon separation of employment. Twenty-six of the 30 (87%) terminated employees’ personnel files reviewed did not contain a termination checklist. Of the four that existed, two were not completed timely (17 and 87 days after termination date) and two were not fully completed. The University recently implemented a new process for the removal of information technology access for terminated employees. While the new process appears reasonable, we were unable to test it due to it only being in use for one month.

Instructions on the University’s employment web page state that supervisors are required to complete the termination checklist upon termination of employees. The current checklist form on the Office of Human Resources’ web page does not have a place to include dates so that the timeliness of the check-out process can be tracked. The University has no detailed written procedures on when and how to complete the termination checklist. Limited guidance and lack of monitoring employee terminations increases the risk that University property is not returned or access to University property is not revoked timely. This could result in the loss or misuse of University resources.

Recommendation

Develop written procedures for the use of the termination checklist and communicate them to supervisors. Monitor to ensure that property and resources are returned and access is removed for all terminated employees and that the termination checklist is completed in a timely manner.

Management’s Response

Written procedures for the use of the termination checklist will be developed and communicated to all supervisors. The termination checklist and computer security access for all terminated employees will be monitored by staff in the Employee Services department and the Technology Services department. The process and procedures will be completed by August 31, 2011.
4. Employee Grievance Documentation

Observation

The University does not have procedures in place to ensure that employee grievances are handled and documented in compliance with A&M System Regulation 32.01.02, Complaint and Appeal Process for Non-faculty Employees. Four of 10 (40%) of the grievance files reviewed had inadequate documentation so that it could not be determined how the grievance was handled, the current status of the grievance, or the final determination. The University does not currently have procedures in place to ensure that grievances are properly documented, tracked, and retained. The A&M System Records Retention Schedule states that grievance records should be maintained for two years after the final decision on the grievance.

Additionally, a complaint filed regarding an event on November 25, 2009 was received in the Office of Human Resources on January 22, 2010 (32 days after the event). A&M System Regulation 32.01.02 states that “a complaint delivered to the human resources officer later than seven (7) business days of the action that caused the complaint will be deemed untimely filed and will be dismissed.” The complaint was forwarded for review even though it fell well past the 7-day deadline.

Recommendation

Develop procedures to ensure compliance with System Regulation 32.01.02. Ensure that adequate documentation of the grievance process, current status and resolution are retained.

Management's Response

Written procedures will be developed to ensure compliance with System Regulation 32.01.02. The procedures will provide that adequate documentation of the grievance process, status, and resolution are retained. The process and procedures will be completed by August 31, 2011.
BASIS OF REVIEW

Objective

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

Criteria

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

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

Background

The Texas A&M University - Commerce Office of Human Resources reports to the Vice President for Business and Administration. Human resources functions are centrally performed and monitored by the Office of Human Resources to ensure compliance with policies, regulations, rules and procedures. Hiring for professional staff is coordinated through the Office of Equal Opportunity and Diversity that reports to the Office of the Provost and Vice President for Academic & Student Affairs.

At the time of the review, the University had a total of 1,234 active faculty, staff, and student workers. The combined salaries, wages and benefits for fiscal year 2010 totaled approximately $71 million.
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Third Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY

Review of Camps and Enrichment Programs

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

Overview

Administration and oversight of Texas A&M University camps and enrichment programs (camps) requires significant improvement to ensure all camps are operating in compliance with applicable rules and standard administrative procedures. The Division of Student Affairs, specifically the Department of Student Activities, is responsible for providing the administrative and oversight function for all University camps. Weaknesses identified include discrepancies in written camp requirements, limited communication of these requirements, and a lack of proactive compliance monitoring and communication of results. In addition, we noted limited resources designated for the camp risk assessment process and insufficient support service fee assessments. These weaknesses increase the University’s risk for mismanagement of resources and noncompliance with camp requirements. Opportunities for improvement also exist regarding management of the Deerfoot Youth Camp, records retention requirements, and insurance clarification.

Summary of Management’s Response

The Department of Student Activities takes a proactive approach to identifying, assessing, and evaluating the risks associated with camps and enrichment programs, and takes the responsibility of educating others about the risks associated with these programs very seriously. The opportunities for improvement identified throughout the audit process will strengthen the risk management efforts in this area while further enhancing the services the department is able to offer.

Scope

The review of camps and enrichment programs focused on the areas of compliance, risk assessment, financial monitoring, revenues, disbursements, and technology management of the online application process. University orientation and athletic camps were excluded from the scope of this project. Activities...
were reviewed for the period of March 1, 2009 through February 28, 2010. Fieldwork was conducted from October 2010 through January 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Administration and Oversight

Observation

The Division of Student Affairs, specifically the Department of Student Activities, needs to improve its administrative and oversight function for camps. As the unit responsible for ensuring camps comply with applicable rules and standard administrative procedures, the division needs to ensure that clear guidelines are available and that an effective monitoring system exists. Weaknesses identified in the audit include the following:

- Discrepancies between camp requirements as listed in the University rule, standard administrative procedure and on the Department of Student Activities website.

- Limited communication to inform the campus community of requirements that must be adhered to prior to holding a camp or to identify camps which have not registered through the Department of Student Activities. Deerfoot Youth Camp, whose relationship with Texas A&M University began in 1980, was identified as not having registered with the Department of Student Activities.

- Outdated written procedures regarding the online application and risk assessment process.

- Limited resources assigned to ensure completion of risk assessment procedures to be performed by the Department of Student Activities prior to, during, and after completion of camps.

- Ability of deans and department heads to approve camps without knowledge of why the Department of Student Activities did not recommend approval.

- Support service fee assessments not assessed to all applicable camps; this fee is intended to provide resources to the Department of Student Activities for oversight of camps. Current assessments are sufficient to only cover payroll expenses. Additional assessments could provide for items such as training and information technology expenses.
1. Administration and Oversight (cont.)

- Late fee assessments not assessed where applications were not submitted by timelines established according to the standard administrative procedure and the Department of Student Activities.

A stronger administrative and oversight function is needed to reduce the University's risk of mismanagement and noncompliance, which in turn will decrease the potential for harm to campers and reputational risk for the University.

**Recommendation**

Strengthen administration and oversight of camps by ensuring camp requirements are current, consistent and regularly communicated. Establish a proactive component of the compliance monitoring system to identify camps which may not be in compliance with requirements and to communicate issues which may lead to noncompliance. Designate resources for full implementation of the camp risk assessment process to include a review of risks identified on the application, camp site visit(s), and a final meeting with responsible parties after completion of the camp. Ensure support service fee and late fee rates are appropriate and assessed as required in the University rule and standard administrative procedure. Notify University management when noncompliance occurs.

**Management’s Response**

The Department of Student Activities will strengthen its administrative oversight of camps and enrichment programs through the following actions:

- **University rule and standard administrative procedure edits** were submitted on May 10, 2011 to reflect current practices, including the timeline for application submissions, required evidence of background checks, and the incident reporting process. These edits were implemented and notification of the changes was sent by University Risk & Compliance on June 30, 2011.

- **In preparation for the current camp season, the Department of Student Activities increased communication to the campus community regarding requirements and best practices through workshops, meetings, and multiple emails. A comprehensive plan aimed at enhancing these efforts and more fully educating the campus community about University requirements will be developed by August 31, 2011. This plan will incorporate strategies that encourage the identification of camps and**
enrichment programs that have not registered through the Department of Student Activities.

- A formalized plan for the implementation of a comprehensive risk management process, to include the review of information submitted on program applications, selected site visits, and post-program assessments, will be developed by August 31, 2011.

- A desk manual that documents the procedures followed throughout the review and approval process was completed May 23, 2011. This manual will be reviewed bi-annually by the Camps & Enrichment Programs staff to ensure it is updated with current information and practices.

- An evaluation of the support service fees and late fees will be conducted with the goal of implementing changes to the assessment of these fees by February 29, 2012.

- Procedures will be established to inform University management of noncompliance by August 31, 2011.

In addition to the steps outlined above, the Department of Student Activities will establish a committee to perform a comprehensive review of the University rule and standard administrative procedure that govern the camp and enrichment program process. This committee will begin meeting by August 31, 2011 with the goal of implementing revisions by February 29, 2012.

2. Deerfoot Youth Camp

Observation

Administrative oversight of Deerfoot Youth Camp is not being performed as described in the original endowment proposal for the Thomas A. and Joan Read Chair for Disadvantaged Youth. The proposal, developed by the Department of Health and Physical Education Professor and Department Head in place at the time, details the following:

“…the Read Chair would provide salary and operating funds for a faculty member who would divide time between teaching/research and supervising camp activities. All endowed chair funds not required for salary would be available to the individual holding the Read Professorship as operating funds so that services to disadvantaged youth could be emphasized. The Read Chair would assure that ample faculty time is given, during the fall and
spring semesters, to planning, organizing, and training activities essential for an efficient and effective camp operation. Furthermore, the Read Chair would maximize university supervision of programming during the operating dates of the camp.”

An official endowment agreement was not created subsequent to the proposal; however, the endowment was established at the Texas A&M Foundation with funds transferred to the University for operational management. The current holder of the Read Chair, who also serves as the Department Head for Health and Kinesiology, is not involved in operations of Deerfoot Youth Camp.

We also noted that expenses were being charged to the Read Chair endowment that did not comply with the endowment’s restrictions. We noted eight of twenty-one (38%) expenses totaling approximately $11,350 that were in noncompliance with restrictions. A memorandum of agreement (MOA) regarding the Thomas A. and Joan Read Chair for Disadvantaged Youth between Mrs. Joan Read and the University, put in effect in 2001, allowed for an amount of up to 30% of the annual earnings from the endowment income to pay the salary, benefits, and living expenses of a camp supervisor. According to the MOA, the camp supervisor will typically be employed as a faculty member in the Department of Health and Kinesiology during the nine months of the academic year and paid from state funds and then paid during the summer months from the apportioned 30% of annual earnings from the endowment. The supervisor’s duties are listed as recruitment and oversight of camp staff, supervision of camp programming, liaison with officers and staff of Read Youth Charities, and advisement for distribution of Read Scholarships in the Department of Health and Kinesiology. The MOA also clarifies that funds from the Read Chair for the salary, benefits, and expenses of the camp supervisor will be administered by the Head of the Department of Health and Kinesiology.

The eight expenses identified, paid from an account established specifically for the 30% apportionment, could not be categorized as salary, benefits, or living expenses of the camp supervisor. Identified expenses included items such as conferences and business meals, some of which had no direct or indirect affect on Deerfoot Youth Camp. Approval for procurement card transactions was provided by a Health and Kinesiology Business Coordinator I while vouchers were approved by a Business Administrator II.

During the audit period, 156 non-payroll related transactions totaling approximately $30,500 were processed through this
2. Deerfoot Youth Camp (cont.)

particular endowment account. Noncompliance with requirements in the MOA increases the University’s risk for donor disagreements and financial liabilities.

Recommendation

Determine if the proposal and subsequent MOA are meeting the University’s needs regarding the relationship with Deerfoot Youth Camp. Ensure that oversight controls are established and maintained in accordance with endowment requirements either as currently described or as updated.

Strengthen controls over University managed accounts established from the Thomas A. and Joan Read Chair for Disadvantaged Youth Endowment to ensure only expenses meeting endowment restrictions, either as currently described or as updated, are allowed.

Management’s Response

The relationship between Deerfoot Youth Camp and the University will be reviewed by University management. Additionally, an updated MOA will be pursued to replace the original proposal and existing MOA. As part of the update, we intend to clarify the requirements regarding the Read Chair, department head and camp supervisor as related to camp activities and financial administration. The existing MOA allows for a limited amount of endowment earnings to be used for salary, benefits and living expenses. The proposal indicates that funds not required for salary are allowed for activities emphasizing services for disadvantaged youth. Salary, benefits and living expenses did not exceed the 30% allowed by the existing MOA. In the updated MOA, we will clarify how the remaining portion of the 30% may be utilized. Target date for updating the MOA is February 29, 2012.

3. Retention of Waiver and Release Forms

Observation

Waiver and release forms were not retained as required by the State of Texas Records Retention Schedule for departments overseeing three of nine (33%) camps tested. According to the State of Texas Records Retention Schedule and the System Office of General Counsel, waiver and release forms for participants under the age of 18 should be held two years from the date the individual turns 18 or the close of any litigation (whichever is longer) plus one additional year. For adult participants, waiver and release forms should be maintained two
3. Retention of Waiver and Release Forms (cont.)

years from the date of the activity or the close of any litigation (whichever is longer) plus one year. Management overseeing several camps tested was not aware of the retention requirements. Improper retention of waiver and release forms may hinder defense of the University should legal proceedings occur after completion of a camp.

Recommendation

Determine, with the assistance of the Texas A&M System Office of General Counsel and the Texas A&M Office of Risk and Compliance, whether a more manageable retention period for camp waivers exists.

Ensure camp waiver and release forms are maintained according to the retention period deemed appropriate.

Management’s Response

In consultation with the System Office of General Counsel and the Records Management Office, Student Activities will determine a manageable retention period for camp waivers. The resulting expectations will be communicated to program sponsors by August 31, 2011. A plan for ensuring waiver forms are maintained for the appropriate period of time will be developed by August 31, 2011.

4. Insurance Coverage

Observation

University Rule 11.99.99.M1, Camps and Enrichment Programs, does not specifically state whether the general liability and accident medical insurance coverage required for camps is to include only campers or both campers and counselors. While camps tested did have insurance coverage, counselors were not consistently covered under the policy. Inadequate insurance coverage or lack of awareness of limited coverage could be detrimental to both the University and counselor should an incident occur.

Recommendation

Determine whether insurance required for camps should provide coverage for both campers and counselors.
4. Insurance Coverage (cont.)

If counselors are not to be covered under the required insurance policy ensure they are provided notice the camp insurance will not be available to them.

Management’s Response

In consultation with the System Office of Risk Management, insurance coverage requirements will be determined. The rule and Student Activities website will be updated to reflect these requirements by February 29, 2012.
BASIS OF REVIEW

Objective

The objective of the audit was to review the financial and management controls over selected enrichment camps to determine if resources are used efficiently, effectively, and in compliance with laws, policies, regulations, and rules.

Criteria

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

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

Background

The Department of Student Activities was tasked with the responsibility for oversight of University camps in September 2005. The University hosted multiple sessions of approximately 110 camps, which served approximately 26,000 campers, from March 2009 through February 2010 and included day participation and overnight camps. Camp content ranged from activities such as engineering workshops to rock climbing and served children as young as five years old.
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Third Quarter Report, Fiscal Year 2011

TEXAS A&M HEALTH SCIENCE CENTER

Review of Plant Operations

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

Overview

Overall, the Texas A&M Health Science Center (HSC) has processes and controls in place to provide reasonable assurance that plant operations are performed efficiently and effectively, and in compliance with laws, policies, regulations, and rules. As the HSC continues to develop its plant operations program, opportunities for improvement exist in the areas of facilities condition assessment, minor construction and renovation projects, plant operations procedures, employee safety training, and maintenance and supply inventory management.

HSC’s plant operations reports to the Office of Finance and Administration, and provides a wide range of services including building maintenance, custodial services, and minor construction and renovation management. Plant operations across the HSC’s eight geographically dispersed campuses have approximately 110 employees and an annual budget of $16.8 million.

Summary of Management’s Response

Management fully concurs with the recommendations of the System Audit report.

It is the intent of the HSC to take aggressive action to fully implement the recommendations of the audit report. The current implementation of the [web-based] AIM work order management system will facilitate the structural recommendations of the audit. Facilities, Utilities, Safety, and Security (FUSS) management is currently developing a formal strategic plan that will incorporate, with performance measurements, the operational and procedural recommendations of the audit. As recommended, quantifying appropriate data gathered through the HSC quality assurance/quality control inspection and review process will facilitate an effective management tool that will identify trends and enhance management decision-making. FUSS is currently implementing several web-enabled technology software packages to increase management and control oversight, evaluate current operational
efficiencies, and to assist with effective planning. It is the intent of FUSS to develop a compliant administrative culture that provides effective and efficient services to facilitate the mission of the HSC; and to continuously conduct business as responsible stewards of state resources.

Scope

The review of financial and management controls over the Health Science Center’s plant operations focused on the areas of deferred maintenance, work order management systems, maintenance and supply inventory, service agreements, employee safety training, and minor construction and renovation projects. Transactions and activities related to these areas were reviewed for the period September 1, 2009 through December 31, 2010. Fieldwork was conducted from February to March 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Facilities Condition Assessment

Observation

The HSC does not have a facilities condition assessment as a baseline to support the preservation of buildings and facilities across its geographically-dispersed campus locations. During fiscal year 2011, the HSC conducted building reviews of the Temple and College Station facilities but the reviews did not include a financial analysis, life cycle analysis of building components, or an annual pattern of replacement/renewal of facilities. Other HSC buildings have not been assessed and a deferred maintenance backlog exists which needs to be addressed. The HSC reported $1.3 million of deferred maintenance to the Higher Education Coordinating Board for fiscal year 2011.

Management has focused its attention, time, and funding on current and future projects, and has not fully considered the existing buildings across all HSC facilities. Without a facilities condition assessment, the HSC increases its risk of not prioritizing and carrying capital renewal and replacement projects to meet the HSC’s long-term facilities needs. According to the National Association of College and University Business Officers, a facilities condition assessment is an important element of a comprehensive facilities management program.

Recommendation

Conduct a facilities condition assessment of all HSC buildings to establish a baseline to better prioritize and address the HSC’s facility maintenance needs. Update the baseline analysis assessment on an annual basis.

Management’s Response

The HSC concurs with the audit finding that a facilities condition assessment is necessary to effectively plan physical plant operations. The approach is valuable to facilities managers as a valid and reliable facilities condition assessment clearly defines those buildings and components with deferred maintenance concerns, degree of deterioration, and provides estimates of the cost to replace or repair items. The HSC will determine priorities for
1. Facilities Condition Assessment (cont.)

repair based on levels of degradation and safety hazards. As recommended, the HSC will implement as part of the quality assurance/quality control inspection and review process several quantitative measurements. In addition, as recommended in the audit, the HSC will add an annual pattern, by building, of replacement or renewal. The current HSC quality assurance/quality control inspection and review program and the Texas Higher Education Coordinating Board MP2 report will provide cost, condition, and operations data necessary to implement a quantifiable facility condition report and identify trends.

Target Implementation: August 31, 2011.

2. Minor Construction and Renovation Projects

Observation

The HSC does not have a formal monitoring process for minor construction and renovation projects. The HSC has not established a formal monitoring process for internally managed construction and renovation projects. Management relies on informal communication (e.g., email and telephone) and review of project expenditures as oversight mechanisms. Status reports are not generated and provided to management to monitor the completion of projects. Informal project management oversight of minor construction and renovation projects could result in budget overruns and untimely completion of projects. The HSC had approximately $2.7 million of minor construction and renovation projects between September 1, 2009 and December 31, 2010.

HSC management has recently purchased an automated work order management system to provide financial and management information necessary for more effective monitoring and is in the process of implementing the system.

Recommendation

Develop a timeline with key target dates and milestones to implement and test the recently acquired work order system. Generate management reports from the work order system to support financial and management decision-making processes including work order processing and minor construction and renovation projects to help ensure that projects are completed within budget, on schedule, and according to project specifications.
Management’s Response

2. Minor Construction and Renovation Projects (cont.)

The HSC is currently implementing a new facilities management system. The HSC purchased a separate project management module to assist with status reporting that will provide timely information and management oversight of project schedules and expenditures. The HSC will use appropriate cost/scheduling protocols based on percentage of completion, milestones, or lump sum methods.

Target Implementation: August 31, 2011.

3. Plant Operations Procedures

Observation

Written operating procedures for the plant operations have not been developed and disseminated to HSC campuses to ensure consistency within the HSC’s plant operations. Management relied on informal directives to communicate priorities and responsibilities to personnel. A lack of written procedures can contribute to inconsistent and inefficient operations. Written procedures inform HSC personnel at all levels of the organization of the requirements and responsibilities associated with the performance of their duties in a consistent and effective manner.

Recommendation

Develop and implement written procedures for all processes of plant operations.

Management’s Response

The FUSS strategic planning committee is currently charged with developing appropriate HSC rules and procedures to enhance and ensure consistency with operations to include review of drawings by quality assurance/quality control engineering and Environmental Health and Safety. It should be noted that the HSC strategic planning committee will engage in continuous assessment of risk and opportunities for improvement. The development, implementation, and training of operations procedures will enhance effectiveness, efficiencies, and communications among the various HSC campuses.

Target Implementation: August 31, 2011.
4. Employee Safety Training

Observation

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<th>Plant safety training is not conducted in a timely manner.</th>
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The HSC plant training processes are decentralized at each campus and do not ensure timely safety training for new plant employees whose positions have been identified as requiring hazardous communication or bloodborne pathogen training. A review of eleven plant new hires indicated that eight (73%) did not have documentation to support they received hazardous communication or bloodborne pathogen training prior to working with or in a work area containing hazardous chemicals or bloodborne pathogens. There was a lack of consistent supervisory review across all of the HSC’s disbursed plant operations to ensure that plant employees receive timely training.

The lack of timely safety training with respect to hazardous communication and bloodborne pathogens for plant operations’ employees puts the HSC at risk of serious injury, property damage, and noncompliance with the HSC’s Hazard Communication Program which is required by state law and the Bloodborne Pathogen Exposure Control Plan required by federal law.

Recommendation

Develop a monitoring process to ensure that employees receive proper safety training prior to potential exposure to hazardous chemicals and bloodborne pathogens.

Management’s Response

The Bryan Campus has identified a full-time environmental health and safety officer responsible for timely training of employees. In coordination with HSC Human Resources, Environmental Health and Safety currently has in place a centralized system of identifying training needs of employees at the point of hire and recurring annually during the performance review period. This system is currently being integrated with an extensive online training program using TrainTraq that will enhance monitoring and control of all areas of safety training on each of its campuses across the state. The online training system will allow for continuous management, control, and oversight of environmental health and safety training.

Target Implementation: August 31, 2011.
5. Alkek IBT Maintenance and Supply Inventory

Observation

The maintenance and supply inventory, valued at $73,000, at the Alkek IBT building has not been subjected to a formal periodic physical inventory count and reconciled to the work order system inventory records. Strong controls over inventories include periodic inventory counts and reconciling inventory records to accounting records. Out of a sample of 30 inventory items tested, 20 (67%) were not accurately listed in the inventory records. Additionally, supply rooms contained excess and obsolete items which were not being tracked in the inventory records. Upkeep of the maintenance and supply inventory records was not a management priority. Lack of adequate controls over maintenance and supply inventory increases the risk for inappropriate and inefficient use of resources. As a result, management decisions may not consistently be based upon accurate inventory information.

Recommendation

To strengthen controls over the Alkek IBT maintenance and supply inventory, the HSC should conduct periodic physical counts of the inventory items and perform reconciliations of the inventory counts to the inventory records and promptly investigate and correct all identified differences.

Management’s Response

The HSC will implement sound controls to ensure inventory counts can be verified and the identified differences are reconciled in an effective manner. The quality assurance/quality control inspection and review will add the Alkek maintenance and supply inventory as part of its review and assessment.

Target Implementation: November 30, 2011.
BASIS OF REVIEW

Objective

The objective of the audit was to review and assess the financial and management controls over plant operations to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules.

Criteria

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

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

Background

The HSC’s plant operations includes facilities in eight geographically-dispersed locations including Bryan, College Station, Dallas, Houston, Kingsville, McAllen, Round Rock, and Temple. A Facilities Coordinator or other facilities employee supervises each respective location and reports to the HSC Facilities Manager. The Facilities Manager reports to the Office of Finance and Administration through the Director of Facilities, Utilities, Safety, and Security. HSC’s plant operations provide a wide range of services including building maintenance, custodial services, and minor construction and renovation management. Plant operations has approximately 110 employees and an annual budget of $16.8 million.
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Third Quarter Report, Fiscal Year 2011

Texas Engineering Experiment Station

Review of Research Administration

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

Project #20110802
PROJECT SUMMARY

Overall, the controls established over research administration at the Texas Engineering Experiment Station (TEES) are effective in providing reasonable assurance that the Agency is operating in compliance with applicable laws, policies, regulations and rules. However, improvements are needed to fully comply with the Agency’s internal pre-award guidelines related to the review and approval of proposals and in the post-award process for time and effort reporting. TEES had 1,588 active sponsored projects with expenditures over $101 million for calendar year 2010.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Proposal Approvals

Observation

Ten of 15 (67%) project proposals tested were submitted to the sponsor prior to being approved by all parties specified in the TEES internal pre-award guidelines. Nine of the 10 (90%) proposals were submitted to the sponsor between one and 17 days (seven days on average) before the entire approval process was completed. One proposal was submitted 299 days prior to all sign-offs being completed due to the TEES principal investigator (PI) sending a letter to the corporate sponsor agreeing to participate in the research several months before the formal proposal was prepared by TEES Proposal Services. Seven of the 10 (70%) proposals were submitted to the sponsor prior to the division head's approval. Our review indicated that these delays are typically caused by the PI not submitting their proposals to TEES’ Proposal Services in a timely manner, which then does not allow adequate time to obtain all of the required internal approvals before submission to the sponsor.

The Research Administration’s Desk Reference Manual for Proposal Preparation used by TEES’ Proposal Services states that they will make every effort to have proposals fully routed and approved prior to the submission deadline. However, they also
acknowledge that sometimes, due to many factors, the proposal will not have finished routing prior to the submission deadline. Their stated philosophy is to not lose any funding opportunities. Therefore, an unapproved proposal can be submitted to the sponsor with the understanding that it can be withdrawn if not approved.

The 2006 TEES Researcher Handbook states, "Before official submission of a proposal can take place, approval signatures from the principal investigator, all co-PIs, department heads, division heads, and required administrators must be obtained." The TEES Researcher Toolkit also states that "A fully executed routing is a prerequisite for not only proposal submission but also proposal funds disbursement if awarded." Failure to obtain all required approvals prior to submission of proposals to sponsors increases the Agency's risk that internal parties may not be in agreement with all terms included in the proposals.

**Recommendation**

Work with PIs to get proposals submitted earlier in order to provide sufficient time for the approval process. Monitor to identify proposals that were submitted to sponsors without routing completion and contact PIs who were in noncompliance to identify ways to improve the process. Report any chronic noncompliance to executive management. Consider requiring all PIs to periodically attend training on the research administration processes at TEES.

**Management’s Response**

TEES assumes the risk of submitting proposals to the sponsor that have not been fully approved internally to meet the sponsor's submission deadline. Some PIs continue to work on and improve their proposal as long as possible (until the point of submission) in order to advance their chance of being selected for the award. It is important to note that prior to the proposal being submitted by TEES, experienced proposal administrators ensure that it meets the requirements of the sponsor, A&M System policies and TEES rules.

By August 31, 2011, the MAESTRO design team plans to support an expedited internal routing and approval process with the goal of completing routing and obtaining approvals prior to the proposal being submitted to the sponsor.
1. Proposal Approvals (cont.)

By August 31, 2011, the TEES Researcher Handbook and Researcher Toolkit will be revised to state that every effort will be made to complete routing and obtain approvals prior to the proposal being submitted. In addition, an annual reminder will be sent to PIs about submitting proposals to research services prior to the sponsor deadline in order to allow for finalization and routing/approval.

TEES’ effort to make these changes is contingent on the best practices ultimately adopted by the Office of Sponsored Research Services.

2. Time and Effort

Observation

TEES is utilizing the new Semi-Annual Time and Effort Certification system as required by System Regulation 15.01.01. However, in certain situations, TEES is not certifying 100% effort. For one of the 18 projects reviewed, a PI budgeted time to the project for 10% of one month, but did not actually charge any time to the project. This resulted in zero percent effort being charged which is not allowed according to Memoranda M01-06 to OMB Circular A-21.

In addition to the official time and effort system, TEES documents actual effort expended by researchers by preparing a Key Personnel Report. This report documents researchers’ efforts and helps identify instances where they are not meeting the effort listed in the contract. It also serves to document effort when no time, either paid by the sponsor or internally funded (cost share), is charged to the project by the PI. While this report does capture effort, this effort does not appear in the payroll system and is therefore not added to the organized research base as required by OMB Circular A-21. This also prohibits the PIs time from appearing in the Time and Effort system and being certified along with the other effort. This results in less than 100% effort being certified twice a year as required by OMB Circular A-21 and System Regulation 15.01.01.

Recommendation

Develop procedures to ensure that PIs have effort committed and charged to their project, whether internally or externally funded, except as allowed by OMB circular A-21. In addition, ensure that all (100%) effort is included in the Time and Effort system and certified for federally funded projects.
Management’s Response

2. Time and Effort (cont.)

By August 31, 2011, procedures will be developed to ensure that PIs have effort committed to their project, except as allowed by OMB Circular A-21, that the effort is included in the Time and Effort system and certified for federally funded projects.

TEES’ effort to make these changes is contingent on the best practices ultimately adopted by the Office of Sponsored Research Services.
BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review the processes and controls over research administration to determine if resources are being used efficiently and effectively and in compliance with laws, policies, regulations and rules. The review focused on research administration activities for the period January 1, 2010 through December 31, 2010. Areas reviewed included pre-award, indirect costs, cost sharing, expenditures, time and effort reporting, and project closeout for all research projects administered by TEES. Fieldwork was conducted from January to April 2011.

Criteria

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

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

Background

TEES is the engineering research agency of the State of Texas, providing quality research and practical engineering answers to critical state and national needs. The Agency partners with academic institutions, industries and communities to solve problems and help improve quality of life, promote economic development and enhance the educational systems of Texas. With headquarters in College Station, the Agency’s contributions are made in every region of Texas through its divisions and affiliations with 15 Texas universities, one community college and 35 multidisciplinary research centers. Approximately 79% of TEES’ total funding comes from contracts and grants. TEES had 1,588 active sponsored projects with expenditures over $101 million for the calendar year.
TEES’ research administration functions are divided mainly between Research Services and the Fiscal Office with additional support services provided by the offices of Strategic Development, Engineering Safety, Engineering Budgets and Payroll, and Personnel Services. Research Services covers the areas of research proposal services (including proposal and budget preparations, approval routing, and submission to sponsor), research compliance, and contract review and negotiations. The Fiscal Office handles post-award administration, project billing, accounts payable, and compliance and technical reporting.

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TEXAS A&M UNIVERSITY
– CORPUS CHRISTI

Review of Environmental Health, Safety and Security

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

Project #20111502
PROJECT SUMMARY

Overview

Overall, Texas A&M University - Corpus Christi’s controls over environmental health, safety and security operations provide reasonable assurance that a safe environment exists for students, faculty, and staff and that the University is in compliance with relevant laws, policies, and regulations. Improvements are needed in chemical safety training for faculty and teaching assistants, administration of the College of Science and Technology’s chemical stock room, and the retention of documentation associated with student travel.

Appropriate staffing resources for the environmental health and safety function are in place to provide oversight of key safety processes including lab monitoring and training. In addition, a centralized office oversees all camp activities on campus.

Summary of Management’s Response

The University agrees with the recommendations and will make improvements in the administration and oversight of environmental health, safety and security.

Scope

The review of controls and processes over the University’s environmental health, safety and security operations focused on the areas of University police hiring practices, laboratory safety inspections, employee and student safety training, hazardous chemical administration, fire and life safety, faculty international travel, student travel, student activities, and university-sponsored camps. Transactions and activities related to these areas were reviewed for the period September 1, 2009 through December 31, 2010. Fieldwork was conducted primarily during November and December 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Chemical Safety Training

Observation

University training processes do not ensure that faculty and teaching assistants with potential exposure to hazardous chemicals are receiving formal hazardous communication (HAZCOM) safety training. Employees who have exposure to chemicals without the proper training increase the risk of employee injury, facility damage, and noncompliance with the University’s Hazardous Communication Program. The Texas Hazard Communication Act requires employees who may be or may have been exposed to hazardous chemicals in their workplace complete HAZCOM training supported with a record of attendance.

The University does not require faculty with potential exposure to hazardous chemicals to take periodic HAZCOM training. Instead, the University relies on a new faculty orientation packet that contains information on hazardous chemicals for newly hired faculty.

Teaching assistants are required to complete HAZCOM training prior to working in a teaching laboratory. From a sample of ten teaching assistants tested for the fall 2009 semester, there was no evidence that two (or 20%) attended a HAZCOM training session. These instances were a result of insufficient monitoring and follow up of teaching assistants that may not have completed the training. Also, HAZCOM training was not held for teaching assistants during the spring 2010 semester. Typically, training has only been held in the fall semester.

Recommendation

Ensure that all faculty and teaching assistants with the potential exposure to hazardous chemicals receive the required hazardous communication training in a timely manner. Formally document the successful completion of this training and consider requiring a periodic (e.g. annual) refresher course to ensure employees are current on safety practices related to hazardous chemicals.
Management's Response

1. Chemical Safety Training (cont.)

The University’s hazardous communication training will be entered in TrainTraq by May 30, 2011. Each semester, beginning August 31, 2011, all new faculty and teaching assistants will be assigned the training on TrainTraq to complete prior to the beginning of class.

2. Chemical Stock Room Procedures

Observation

Written procedures are not in place for the Center for the Sciences’ chemical stock room.

Comprehensive written procedures are not in place for the Center for the Sciences building’s chemical stock room to ensure the proper handling, storage, and safeguarding of hazardous chemicals. The University’s Chemical Hygiene Plan requires laboratories and research groups to develop detailed procedures for the handling of toxic chemicals. Without detailed procedures, there is an increased risk of employee injury, facility damage, and noncompliance with the University’s Chemical Hygiene Plan.

Recommendation

Develop a set of comprehensive written procedures to support the handling, storage, and safeguarding of hazardous chemicals in the chemical stock room at the Center for the Sciences building.

Management’s Response

A comprehensive set of written procedures will be created for handling, storage and safeguarding of the hazardous chemical stock room at the Center for the Sciences Building by August 31, 2011.

3. Retention of Student Travel Documentation

Observation

Student travel records are not retained after travel is completed.

Student travel rules and procedures have been established by the University and are in compliance with Texas A&M System regulations. However, student travel documentation was not retained for four of five (80%) student organization trips tested. Student organization travel files maintained by the Student Activities Department did not contain documentation required by University travel procedures. Missing documents included a Student Activity Release form for each participant; emergency contact information for each participant; driver release and vehicle information for each driver; and a copy of the driver’s license, license plate number, and proof of insurance. These documents
3. Retention of Student Travel Documentation (cont.)

were sent to the University Police Department and subsequently destroyed after the trip was completed. The only travel document needed by the University Police Department is a copy of the emergency contact information for each student traveler. There was a misunderstanding between the University Police Department and the Student Activities Department regarding the maintenance and retention of student travel documentation which results in a risk of noncompliance with A&M System and state record retention standards.

Recommendation

Comply with the A&M System Records Retention Schedule. Implement written administrative policies and procedures that support the maintenance and retention of student travel documents, as well as, the responsibilities of University departments.

Management's Response

As of April 2011, procedures have been changed for student travel documents and these are now retained in compliance with record retention requirements. University Police will only be provided contact information and the other documentation will be retained by the department arranging for the travel.
BASIS OF REVIEW

Objective

Review and assess the University’s controls and processes over campus safety and security to ensure that they provide reasonable assurance that a safe environment exists for students, faculty, and staff. Also, determine that the University is in compliance with laws, policies and regulations relevant to campus safety and security.

Criteria

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

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

Background

Texas A&M University - Corpus Christi is committed to a campus environment that protects the health, safety and security of the students, faculty, staff, and visitors. The Environmental Health and Safety Department and the University Police Department comprise the two most significant elements of the safety and security functions at the University. The mission of the Environmental Health and Safety Department is to provide exemplary services that promote a healthy and safe environment for conducting research, teaching, and administrative activities, as well as, the development, implementation, and oversight of safety programs. The Environmental Health and Safety Department is staffed by four full-time employees with a fiscal year 2011 operating budget of
approximately $179,000. The mission of the University Police Department is to provide quality professional law enforcement to ensure a safe and secure learning and working environment. The University Police Department strives to serve with excellence and integrity by providing proactive service and encouraging awareness through crime prevention efforts. The University Police Department is staffed by 21 full-time employees with a fiscal year 2011 operating budget of approximately $727,000.

During the fall of 2010, the University had an enrollment of approximately 10,000 students. The University currently houses approximately 70 laboratories (35 teaching and 35 research).

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Third Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY- KINGSVILLE

Review of Student Health and Wellness

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

Project #20111702
PROJECT SUMMARY

Overview

The controls and processes over student health and wellness services at Texas A&M University – Kingsville provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, and regulations. Opportunities exist within the Student Health and Wellness office’s processes to improve compliance and operational efficiency in the areas of revenue management, records retention, and employee confidentiality statements.

Summary of Management’s Response

Texas A&M University - Kingsville is committed to providing students with premiere services and will leverage this expectation through the use of technology and more efficient processes to provide an environment of student satisfaction. Management recognizes the improvement needed in the use of technology within the health clinic, data retention and new hire orientation. Many of the issues and recommendations that are presented in the audit report have been implemented, and all will be implemented by February 29, 2012.

Scope

The review of the Student Health and Wellness office focused on the areas of information technology, medical records, pharmacy operations, revenue management and performance measures for the period September 1, 2009 to August 31, 2010. Fieldwork was conducted from November to December, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Technology

Observation

The efficiency of medical, counseling and pharmacy processes in the Student Health and Wellness office generally lags behind those of comparable System members due to the manual nature of these processes. The lack of technology innovation may have contributed to a number of the following issues:

- While current processes provide reasonable assurance that students are billed accurately for services provided, the manual tracking of accounts receivables does not result in a strong collection process, and thus elevates the risk that the accounts receivable balances may not be collected. Additionally, the manual tracking of accounts receivable balances does not ensure reminder notices are sent out in accordance with A&M System Regulation 21.01.04 and that the accounts receivable balances are included in the University’s official financial records.

- The manual nature of Student Health and Wellness’ medical records presents medical staff with challenges on keeping the records secure. Computerized medical records provide access restrictions through the use of unique user identifiers, access reports, audit logs, and security incident tracking for better information security. They also generally provide for integration with accounting and pharmacy inventory systems for improved efficiencies. The institutional peers benchmarked against the Student Health and Wellness have all implemented automated medical records.

- The manual pharmacy inventory records are cumbersome and make it difficult for management to ensure all drugs are accounted for. This elevates the risk that missing drugs will not be detected in a timely manner.

Student Health and Wellness management indicated it considered technology solutions in the past but lacked the necessary financial resources. Management is in the process of implementing a University counseling center management system. In addition,
management said that it plans to implement a medical records management system by summer 2011.

Recommendation

Continue to implement technology solutions for improved operational efficiency in the Student Health and Wellness office's operations related to medical records, pharmacy inventory management, and revenue management.

Management’s Response

Management concurs that an electronic medical records (EMR) system would enhance the operation and efficiency of the health care clinic. The staff within the health care clinic completed an analysis of EMR systems and made comparisons of EMRs at institutional peers. It has been concluded that a patient portal application will increase student satisfaction with accessing services. Student Health and Wellness will address the implementation process in phases:

- Phase I has been completed which included the analysis of available EMRs; information has been forwarded to the University’s Office of Strategic Sourcing and General Services (SSGS) for processing; and the Computing and Information Services (CIS) office has been sent the request to review EMR systems and hardware requirements.

- Phase II is the actual purchase and preparation for implementation by May 31, 2011.

- Phase III is installation and initial implementation by August 31, 2011.

- Phase IV is being fully executed by February 29, 2012.

New pharmacy protocols were put in place in December 2010 to ensure better control processes.

- The formulary within the Class D pharmacy was transferred to an internal inventory control database in January 2011 and is reconciled daily. Inventory counts are performed by more than one individual providing a means of checks and balances. Daily and monthly reports are generated.
1. Technology (cont.)

- Because of the limited formulary and minimal daily prescriptions, this process will be monitored and audited internally for a final assessment to determine if it is reasonable to purchase the dispensary component to the EMR system. This assessment will be completed by February 29, 2012.

Management acknowledges that accounts receivable should employ more efficient processes, of which most will be addressed by the implementation of the EMR system. In addition, the following processes will be implemented:

- Departmental accounts receivable and collection procedures will be updated in accordance to recommendations by Finance and Administration and significantly aged receivables in accordance with A&M System Regulation 21.01.04 by August 31, 2011.

2. Data Retention

Observation

Student Health and Wellness has not retained medical records for at least 10 years, as required by the state’s data retention schedule. Student Health and Wellness management indicated it retained records for 7 years in accordance with medical professional standards and was unaware of the state requirement. Management indicated that some personnel changes in the area of records retention contributed to this issue. Inadequate compliance monitoring from the University’s data retention compliance program also contributed to the University’s noncompliance with the state’s data retention schedule.

Recommendation

Student Health and Wellness management should improve compliance with the state data retention schedule by aligning its procedures with state requirements. In addition, University management should improve compliance by implementing periodic monitoring of data kept at departments and providing employee training regularly to address any gaps created by employee turnover.

Management’s Response

The records retention concerns expressed in the audit report have been addressed and new procedures implemented in January 2011 to ensure that all Student Health and Wellness records comply with
2. Data Retention (cont.)

System Regulation 61.99.01. Additionally, the following will be implemented:

- **Student Health and Wellness** will continue utilizing the departmental inventory, packing and shredding log implemented in fall 2010.

- **Training opportunities** offered by the custodian of records for the University will be attended by staff overseeing record retention for the department.

3. Confidentiality Statements

**Observation**

Current processes do not ensure compliance with Student Health and Wellness requirements for confidentiality statements. Fifty percent (7 out of 14) of employees reviewed had not signed confidentiality statements in a timely manner, in accordance with Student Health and Wellness procedures. For 2 of these 7, there was no evidence that a confidentiality statement was ever signed. Management indicated this was due to employee turnover in this area. This is also partly due to a lack of management oversight. While Student Health and Wellness procedures require employees to sign a confidentiality statement at the time of hire, comparable System members require these annually, as a reminder of the importance of confidentiality.

**Recommendation**

Improve compliance with Student Health and Wellness requirements by ensuring new hires sign confidentiality statements as part of the Student Health and Wellness’ new hire orientation process. Also, ensure that all existing employees have signed statements on file. In addition, consider requiring employees to sign confidentiality statements annually.

**Management’s Response**

As noted in the observation above, new processes were implemented in January 2011. The processes implemented were:

- Each new employee (student or full-time staff) associated with Student Health and Wellness shall read and sign an acknowledgement of client confidentiality during the new hire orientation which occurs on the first day of employment.
3. Confidentiality Statements
(cont.)

- All returning staff will update confidentiality forms annually during their employee performance appraisals.

- Mandatory FERPA/HIPAA training will be conducted upon the first week of hire for all employees and annually thereafter.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the University’s controls and processes over student health and wellness services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules.

Criteria

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

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

Background

The Texas A&M University - Kingsville’s Student Health and Wellness office has 13 employees and an annual budget of approximately $1.2 million. The Student Health and Wellness office aims to “administer services and programs that support the overall health of the campus community while raising students' awareness of physical, emotional, social, spiritual, intellectual, and occupational dimensions.” Counseling services include free and confidential assessments and counseling for academic, career, and personal issues. The Life Services and Wellness program aims to promote responsible decision-making in choosing healthy lifestyles.
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TEXAS AGRILIFE RESEARCH AND TEXAS AGRILIFE EXTENSION SERVICE

Review of Infrastructure

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

Project #2011A601
PROJECT SUMMARY

The financial and management controls established over infrastructure funding at both the Texas AgriLife Research and Texas AgriLife Extension Service agencies are effective in providing reasonable assurance that expenditures are in compliance with applicable infrastructure guidelines, System policies, rules and procedures. However, improvement is needed in tracking and reporting deferred maintenance at the Research and Extension centers located outside Brazos County.

OBSERVATION, RECOMMENDATION, AND RESPONSE

Deferred Maintenance

Observation

Formal deferred maintenance listings are not consistently maintained by AgriLife Research and Extension centers located outside of Brazos County. Only two of the five centers reviewed maintained deferred maintenance listings and only one of these centers provided the information to AgriLife executive management. There are currently thirteen centers located outside Brazos County. A requirement regarding formal tracking and reporting of deferred maintenance needs, which could include minor and major projects, has not been established by the agencies. Without formal identification of deferred maintenance issues it is difficult for the agencies to determine and budget for all future renovation and construction needs.

Recommendation

Implement procedures to require all centers outside Brazos County to develop and maintain a deferred maintenance listing. Provide this information to AgriLife executive management to allow for more informed decision-making regarding infrastructure projects.
Management’s Response

We agree with the recommendation and will work with all Research and Extension centers outside Brazos County to maintain a deferred maintenance schedule. Centers will be asked to submit deferred maintenance plans for each Center to the Agricultural Construction Engineer for Off-Campus Facilities, Jimmy Dunn. Additionally, these reports will be checked by the management review team and will be provided annually to the agency directors for their review and approval. This recommendation will be in place by October 31, 2011.

BASIS OF REVIEW

Objective and Scope

The objective of the audit was to review and assess the financial and management controls related to infrastructure outside of Brazos County to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. Infrastructure transactions were reviewed for the period of September 1, 2009 through August 31, 2010. Fieldwork was conducted from November 2010 to January 2011.

Criteria

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

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

Background

Texas AgriLife Research, established in 1887, collaborates with more than thirty counties to conduct research to improve the
productivity, efficiency and profitability of agriculture while maintaining a sustainable environment. Texas AgriLife Extension Service, established in 1915, employs approximately 900 professional educators across the state to identify and address local issues and needs in all Texas counties. Infrastructure funding appropriated for Texas AgriLife Research totaled approximately $3.6 million while the Texas AgriLife Extension Service appropriation was approximately $835,000.

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Third Quarter Report, Fiscal Year 2011

THE TEXAS A&M UNIVERSITY
SYSTEM OFFICES

Review of Financial Reporting

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

Overall, controls are in place to provide reasonable assurance that information in the annual financial report of the Texas A&M University System is materially accurate and in accordance with statutory reporting requirements, policies, and regulations. The annual financial report (AFR) is prepared by the System Office of Budgets and Accounting (SOBA). This is accomplished by combining all of the individual members’ financial information into the annual financial reporting module of the Financial Accounting Management Information System (FAMIS). SOBA provides training as well as written procedures to member institutions to aid in the preparation of the member AFRs. The combined AFR is also reviewed by the State Comptroller’s Office prior to acceptance.

BASIS OF REVIEW

Objective and Scope

The overall objective was to determine whether internal controls are in place to ensure that information in the System's Combined Annual Financial Report is accurate and prepared in accordance with statutory reporting requirements, policies, and regulations. The scope of the audit encompassed all transactions and all processes used to prepare the Combined Annual Financial Report for the year ended August 31, 2010 in which the A&M System reported net assets of approximately $3.8 billion, total sources of funds of $3.6 billion and total expenditures of $3.5 billion. Fieldwork was conducted during April and May, 2011.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas Comptroller of Public Accounts Reporting Requirements for Annual Financial Reports of State Agencies and Universities, and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”
Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Third Quarter Report, Fiscal Year 2011

TEXAS A&M HEALTH SCIENCE CENTER

Review of the Irma Lerma Rangel College of Pharmacy

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

Project #20112301
PROJECT SUMMARY

The financial and management controls within the Texas A&M Health Science Center’s (HSC) Irma Lerma Rangel College of Pharmacy provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. Many of the College of Pharmacy’s financial and management functions are managed by parties outside of the College of Pharmacy. The College of Pharmacy’s human resources, financial and asset management, information technology and research administration functions are centrally managed at the HSC headquarters. Student services, campus security, building maintenance, and environmental health and safety activities are managed by Texas A&M University – Kingsville through an intra-system cooperative contract. These arrangements enhance operational efficiency and effectiveness and allow the College of Pharmacy to focus on its core mission.

BASIS OF REVIEW

Objective and Scope

The overall objective was to review and assess the Irma Lerma Rangel College of Pharmacy’s financial and management controls to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations and rules. The review focused on the following areas: human resources, financial management, asset management, performance measures and goals, development activities, information technology, student services, research administration, environmental health and safety, campus safety and security and building maintenance for the period September 1, 2009 through August 31, 2010. Fieldwork was conducted from December 2010 to March 2011.

Criteria

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

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

Background

The Irma Lerma Rangel College of Pharmacy, located on the Texas A&M University – Kingsville campus, was created in response to the shortage of pharmacists in the border region. The College of Pharmacy accepted its first class of 70 students in August 2006. The College of Pharmacy had approximately 350 students enrolled in the 2009-2010 academic year with approximately 110 employees, including faculty, staff and student workers. The annual budget for fiscal year 2010 was $9.3 million.

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