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PROJECT SUMMARY

Overview

Controls within certain areas of West Texas A&M University’s physical plant operations require improvement to ensure that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Inventory management controls need to be significantly strengthened to properly safeguard and manage the parts and materials maintained in stock which were valued at over $300,000. Also, significant improvement is needed to the work order billing and cost allocation processes. The upgrade of the University’s work order system, currently being implemented, will greatly facilitate improvements in these areas. Other opportunities for improvement include administration and compliance related to construction projects and procurement card purchases.

The University’s Physical Facilities consists of two functional divisions, Physical Plant and Engineering & Architectural Services that oversee all operations including building maintenance, grounds maintenance, custodial services, locksmith, transportation services, and construction administration. Overall feedback received for services provided to other University departments was positive according to a survey completed in fiscal year 2009. Physical Facilities had an operating budget of more than $6.5 million in fiscal year 2010 with approximately 110 employees on staff.

Summary of Significant Results

Warehouse Inventory

Controls over warehouse inventory processes are weak and require improvement to ensure that resources are properly accounted for and used efficiently and effectively to achieve the department’s objectives. Improvements needed include development of comprehensive written inventory control procedures, maintaining updated and accurate perpetual inventory records, periodically counting and reconciling physical inventory to the inventory records, maintaining a proper segregation of duties,
and further restricting physical access to inventory. Weaknesses in controls over the Physical Plant’s warehouse inventory operations increase the risk for inappropriate and inefficient use of inventory resources. Completing the current upgrade of the work order system to track inventory and further centralizing inventory stock would better facilitate the implementation of strong inventory controls and enhance the efficiency and effectiveness of inventory processes.

Work Order Billings and Cost Allocations

Current work order billings and cost allocation processes do not provide assurance that customers are properly billed and the Physical Plant receives appropriate cost recovery for services performed. There is currently a large number of open work orders initiated prior to fiscal year 2010 for which it has not yet been determined whether the customer was properly billed. The Physical Plant also charges customers for costs directly incurred such as salaries and materials used, but there was no documentation indicating that depreciation and other overhead expenses were also included in these rates or billings for full cost recovery. There is a greater risk that educational and general funds are indirectly used to subsidize auxiliary enterprises, which is prohibited by the state’s General Appropriations Act.

Summary of Management’s Response

West Texas A&M University identified in fiscal year 2009 the need for better management controls over inventory within the individual departments of the Physical Plant as well as the need for a better management system to monitor work order billings and related analysis of the services provided by the Physical Plant to all departments. As a result of this identified need, a new work order software system was purchased in fall 2009. The work order software system, TMA, will provide an automated inventory system as well as a billing system to include a management reporting function to monitor inventory, work order billings and track time and effort reporting to provide opportunities for efficiencies. Implementation, testing and training occurred throughout fiscal year 2010, with the system scheduled to be fully functional September 1, 2010. Formal written procedures will be completed by the end of November 2010.
Scope

The review of financial and management controls within the University’s Physical Facilities focused on the areas of warehouse inventory management, billing rates and cost allocations, construction administration, building maintenance, procurement of goods and services, and deferred maintenance processes. Transactions and activities related to these areas were reviewed primarily for the period September 1, 2008 through February 28, 2010. Fieldwork was conducted primarily from March through May 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Warehouse Inventory

Observation

Warehouse inventory items being maintained in stock at the Physical Plant had a total cost of over $300,000 as of the date of test work. Controls over warehouse inventory processes are weak and require improvement to ensure that these resources are properly accounted for and used efficiently and effectively to achieve the department’s objectives. Comprehensive written inventory procedures have not been prepared as recommended during a previous audit and perpetual inventory records are not maintained and periodically reconciled to physical inventory counts. The lack of controls and accurate information also limits the ability to establish accurate inventory reorder points using updated inventory information. The duties of ordering, receiving and issuing inventory are not adequately segregated and physical access to inventory is not restricted to only those who need access.

Lack of adequate controls over the Physical Plant’s warehouse inventory operations increases the risk for inappropriate and inefficient use of inventory resources. Inventory is located at multiple locations within the various Physical Plant shops. The University has also been using an outdated version of the TMA Work Order software which does not facilitate automated inventory management and work order processing. Management has purchased and is currently working to implement a newer version of this software. As a result, resources available for managing the inventory of supplies and materials are spread between multiple locations and few automated inventory management processes have been implemented which inhibits the ability to effectively and efficiently manage this inventory.

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

1. Warehouse Inventory (cont.)

Complete the upgrade and implementation of the new version of the TMA work order system software. Develop and implement comprehensive written internal procedures for the Physical Plant warehouse inventory operations which addresses the inventory control issues noted above as well as the use of any new work order system functionality. Ensure that these procedures are properly disseminated to all relevant employees and corresponding training is provided for use of the work order system as needed.

Ensure all supply inventory is tracked and safeguarded including any excess supplies that have continuing value to the University such as those remaining from construction projects or other physical plant activities. Consider these items prior to ordering similar items for increased efficiency of inventory purchases. Identify all obsolete items and send to surplus in order to reduce the amount of inventory that must be tracked and controlled.

Consider further consolidating all inventory items within one main warehouse operated with trained inventory staff. The main warehouse could house bulk inventory and distribute inventory items to satellite locations as requested. This would help streamline inventory operations by allowing implementation of centralized inventory controls such as one inventory reconciliation and one physical security structure to maintain for the majority of the inventory.

Management’s Response

Warehouse Inventory

The Physical Plant uploaded the entire Physical Plant warehouse inventory into the newly installed TMA 8.1.0.16 version during the week of August 30, 2010. The new warehouse inventory system is now in operation. Formal written procedures will be completed by the end of November 2010. These procedures will include requirements for tracking and safeguarding excess supplies such as those remaining from construction projects and identifying obsolete items to send to be surplused.

The TMA program will provide daily warehouse inventory usages by billing the item on a work order, and then reducing that item from the existing stock. The tracking of used items from inventory occurs instantly and the reorder points are more easily identified. This development offers a rapid reconciliation of warehouse inventory items as they are used. This program enhances the billing of warehouse inventory and allows a monthly, quarterly or annual
1. Warehouse Inventory
   (cont.)

   tabulation of parts used from in-shop materials versus other materials purchased.

   Of the stock inventory of approximately $300,000, $165,000 (55%) located in the Plumbing Shop and Key Shop is in a locked room at each location with very limited access. This provides some control and security over the inventory that will only be enhanced by implementing the TMA system.

   The University will complete an analysis by the end of February 2011 regarding the consolidation of all inventory items under one main warehouse, but believes that once the TMA system is fully implemented, there will be sufficient controls within each department, and that the consolidation and expense associated with the operations of a warehouse will not be cost effective.

2. Work Order Billings and Cost Allocations

Observation

The Physical Plant has 400 "Demand" work orders and 418 "Preventative" work orders initiated prior to fiscal year 2010 that are still open with some that date back several years. There are also thirteen emergency work orders initiated between October 2009 and March 2010 that are still listed as being open. Physical Plant staff recently contacted customers who initiated some of these open work orders and concluded that the work had been completed, but have not yet determined whether University customers were properly billed.

Comprehensive written procedures have not been developed for establishing billing rates and allocating costs at the Physical Plant. In addition, portions of the rate setting and cost allocation process are not adequately documented with supporting schedules and other accounting records in compliance with A&M System regulations. The Physical Plant charges customers for costs directly incurred such as salaries and materials but there was no documentation indicating that depreciation and other overhead expenses were also included in these rates or billings for full cost recovery. In addition, rates and corresponding accounting records related to costs, revenues, billings, collections, and surpluses or deficits are not established and adjusted annually for each separate service provided in compliance with A&M System regulations.
2. Work Order Billings and Cost Allocations (cont.)

Adequate work order billing and cost allocation processes are important to ensure that customers are properly billed and the Physical Plant receives appropriate cost recovery for services performed. This also helps ensure that educational and general funds are not indirectly used to subsidize auxiliary enterprises, which is prohibited by the state’s General Appropriations Act. A&M System Regulation 21.01.05 states that each System component is responsible for establishing user rates, maintaining proper documentation of rate calculations, verifying that rates are not discriminatory towards different groups of users, and periodically reviewing operations for compliance.

Recommendation

Research existing open work orders and take the necessary actions to close these out. Implement a procedure to regularly monitor and address open work orders in a timely manner and ensure that all work performed is properly billed. Upon completing the upgrade to the TMA work order system, attempt to capture the labor and material usage information to the extent feasible within this system to better ensure work order billings are accurate and complete as well as provide additional management information for decision-making.

Develop and implement comprehensive internal documentation for the rate setting and cost allocation process at Physical Facilities. This documentation should include written procedures and other supporting schedules and accounting records used to establish rates and allocate costs for each service provided especially indirect costs such as overhead and depreciation. Ensure that the requirements within A&M System Regulation 21.01.05, Service Departments, are incorporated into this process and the related procedures. Coordinate with the Business Office for assistance in establishing these rates and the necessary supporting schedules and accounting records as needed.

Management’s Response

Work Order Billings

The identified demand work orders that were still open have been closed. From November 2005 through August 2009 there were 69 open work orders. Of the open work orders there was 1 in 2005, 5 in 2006, 32 in 2007, 19 in 2008, and 12 prior to September 1, 2009.
2. Work Order Billings and Cost Allocations (cont.)

Of the remaining open work orders there was a total projects loss of $2,055.00 in chargeable work that occurred but was never closed or billed. All of these work orders have been closed and the Physical Plant is working on the current 2009-2010 year-end closing to track, close and bill all remaining work orders for this year.

The identified preventative work orders that were open have been closed. These preventative work orders do not include a cost variable to the Physical Plant, they are completed as routine work assignments and no billings occur. These are internal work orders to the various Physical Plant departments as reminders for performing routine preventative maintenance. Examples are changing air filters, cleaning steam traps and greasing of bearings.

With the new TMA program, the tracking of preventative work orders can occur on a monthly basis. Each shop manager has access now to the TMA program which historically was not the case. The preventative work orders will appear on each manager’s computer and it will serve as a reminder to not only complete the work but document it in the TMA Program. The Director of Physical Plant Operations shall provide a printout each month of open preventative maintenance work orders to shop managers to increase efficiency.

Cost Allocations

The Physical Plant has historically billed work at a per hour rate for shop labor, and a per hour rate for manager labor. Most work was billed at a minimum of one (1) hour per work order; however, last year the Physical Plant implemented a quarter hour billing charge where minor work requests that took a less amount of time could be billed appropriately.

The Physical Plant charges labor rates and material on a cost basis. By charging on a cost basis for labor and material, this mechanism allowed for the “cost neutral” impact to E&G expenditures. The University will revise the calculation based on A&M System regulations that provide for the formal comprehensive internal documentation. This analysis and documentation will be completed by end of February 2011.

3. Construction Administration

Observation

Eighteen minor construction projects were initiated by the University during the audit period totaling more than $13 million. Physical Facilities administers these projects through its Engineering & Architectural Services division and primarily relies on job order
contracting with outside contractors to perform the work. However, the University’s job order contracting process for construction projects is not in compliance with state requirements related to the use of preapproved price lists or tasks, job order contract term lengths, and bid opening procedures. Testing performed on six of the minor construction projects initiated during the audit period indicated that these projects were generally in compliance with System construction requirements. However, it was noted that one construction project tested totaling $3 million was completed in phases which resulted in each phase of the project falling under the University’s $2 million delegated authority limit. This allowed the construction work to be administered at the university-level. A project analysis or other documentation supporting the reason for completing the project in phases was not available. In addition, construction contracts reviewed during testing did not include a "Right to Audit" or a "Business Ethics Expectations" clause which is considered standard business practice in construction contract provisions.

Comprehensive procedures have not been developed to document the construction administration process including the areas mentioned above. Without adequate written procedures there is a greater risk that construction projects will not be performed in compliance with various laws, policies, and regulations. Texas Education Code 51.784, Job Order Contracts for Construction or Repair, states that an institution may award job order contracts for the minor construction, repair, rehabilitation, or alteration of a facility if the work is of a recurring nature but the delivery times are indefinite and indefinite quantities and orders are awarded substantially on the basis of pre-described and pre-priced tasks. In addition, sealed job order contract proposals shall be publicly opened and the base term of a job order contract may not exceed two years without further advertisement and solicitation of proposals if the institution fails to advertise the term.

**Recommendation**

Develop and implement comprehensive written procedures for the University’s construction process. Ensure compliance with state job order contracting requirements by utilizing preapproved contract unit pricing for job order contracts, adding the stated term of the job order contract in the advertised proposal or restricting the term of these agreements to two years, and opening the sealed job order contract proposals received publicly. Provide adequate analyses or other documentation of management decisions to complete construction projects in phases especially when the total project costs will exceed current delegations of authority. Include a "Right
3. Construction Administration (cont.)

Procurement card purchases tested were not in compliance with certain University and state purchasing requirements.

Management’s Response

The University will develop and implement comprehensive written procedures for the construction process. These procedures will be developed, approved, and implemented December 2010. The University construction contracts have been revised to include the “Right to Audit” and “Business Ethics Expectations” clause for all future contracts effective September 1, 2010.

4. Procurement Cards

Observation

The University’s Physical Plant purchased over $1 million of goods and services using procurement cards during fiscal year 2009. During testing of twenty procurement card purchases over $2,000, it was noted that 13 were not bid due to being either an emergency or a proprietary purchase based on the description provided. However, full written explanations were not provided for eleven or 85% of these exceptions as required by University and state purchasing requirements. In addition, receiving documentation was not available for procurement card purchases made via the mail, Internet, and phone.

Procurement cards have a $2,000 single purchase limit at the University which precludes them from many purchasing requirements such as purchase requisitions, bidding, etc. However, an exemption has been made to allow the Physical Plant to make purchases up to $25,000 using the procurement card. Although procurement card procedures have been developed, they do not specifically address additional requirements for procurement card purchases over $2,000 such as purchase requisitions, bidding, and required documentation for emergency and proprietary purchases. In addition, there is currently no University requirement for receiving documentation to be maintained for procurement card purchases made via the mail, Internet, and phone.

The University’s Standard Administrative Procedure for Purchasing Authority requires that whenever possible, purchases shall be based on competitive bids and in accordance with the best value decision process. Negotiation of contracts is allowed for emergency purchases when there is insufficient time to solicit bids and proprietary purchases of items for which there is only one source of supply. For an emergency purchase exceeding $2,000,
4. Procurement Cards (cont.)

A department must provide a full written explanation of the emergency along with other specific documentation. For purchases which limit consideration to one manufacturer, one product, or one service provider, a written justification must be provided and is subject to review by the University. In addition, Texas Administrative Code 34, Rule 5.57, Use of Payment Cards by State Agencies, requires that a purchase document that a state agency submits to the uniform statewide accounting system for payment to a payment card issuer must comply with the Comptroller's general requirements for the submission of those documents. Recently the State Comptroller’s Office, as part of their post payment audits, has required that separate receiving documentation be maintained indicating receipt of goods or services for procurement card purchases other than point-of-sale.

Recommendation

Revise current procurement card procedures to address requirements for purchases over $2,000 including written justifications for emergency and proprietary purchases and maintaining receiving documentation for purchases made via the mail, Internet, and phone. Monitor for compliance with these procedures including the purchasing requirements noted above.

Management’s Response

The A&M System recently made a revision to the delegation of authority Regulation 27.04.01. The University is reviewing all of the delegated authority documents. The University expects to have reviewed and modified our procedures by end of February 2011.
BASIS OF REVIEW

Objective

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

Criteria

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

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

Background

Physical Facilities is comprised of approximately 110 full-time positions that report to the Associate Vice President of Physical Facilities who in turn reports to the Office of the Vice President of Business and Finance. The mission of Physical Facilities is to provide an environmentally safe, aesthetically pleasing, physically secure and pleasant campus in the most economical manner possible for students, faculty, and staff. To achieve this mission the Physical Facilities has two primary functional divisions which provide most of the physical plant operations for the University. The two divisions are Physical Plant and Engineering & Architectural Services. The Physical Plant is further divided into nine shops including Air Conditioning/Refrigeration, Carpentry, Custodial,
Electric, Grounds Maintenance, Lock, Paint, Plumbing, and Transportation. These functional divisions perform a wide range of services to the University including building maintenance, grounds maintenance, custodial, locksmith, transportation services, and construction administration. In fiscal year 2009 and fiscal year 2010, the annual operating budget was approximately $6.23 million and $6.68 million, respectively. Physical Facilities is responsible for maintaining approximately two million square feet of building space and 114 acres of landscape.
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PROJECT SUMMARY

Overview

The financial and management controls over Texas A&M University - Commerce's housing program operations require improvement to ensure that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Significant improvements are needed in the areas of revenue management, and the classification and reporting of housing and meal plans provided to resident assistants. Opportunities for improvements also exist in the areas of financial accounting and reporting of housing operations, documentation of general operating procedures and health and safety inspections, and the administration of residence hall key cards.

The Department of Residential Living and Learning (RLL) reports to the Dean of Campus Life and Student Development and has had an interim director since December 2008. The department is currently undergoing substantial strategic and organizational changes as a result of its transition from a housing department to a residential living and learning community.

Summary of Significant Results

Revenue Management

RLL does not have processes in place to ensure payments collected in the department for student accounts, housing deposits, fines, camps, conferences and guest housing are properly accounted for. Inadequate segregation of duties exists in the receiving, recording and deposit of payments received in RLL. Reconciliations are not being performed by RLL staff for any of the department accounts. In addition, reconciliations are not being performed by Financial Services for cash clearing accounts. Inadequate controls over revenue management increases the University’s risk that errors or misappropriations could occur and not be detected in a timely manner.
Classification of Resident Assistant Housing and Meal Plans

The manner in which RLL is reporting housing and meal plan benefits provided to resident assistants is not fully compliant with Internal Revenue Service (IRS) guidelines. Payments made to students should be classified as either compensation or scholarships, although the University currently does not classify the housing and meal plans as either. Noncompliance with IRS requirements can result in penalties and/or fines for the University and resident assistants.

Summary of Management’s Response

Revenue Management

The RLL will work with the Financial Services department to develop written procedures that follow University and System requirements. Once procedures are developed, all personnel in RLL will be trained on a yearly basis.

Completion Date: February 28, 2011.

Classification of Resident Assistant Housing and Meal Plans

New resident assistant job descriptions and contracts will be developed and implemented giving the resident assistant a choice to be considered employees or have their housing and meal plans listed as a scholarship. The housing and meal plans prices that are reported for resident assistants will be adjusted to reflect current market prices.

Completion Date: November 30, 2010.

Scope

The review of the University’s housing program operations focused on the areas of cash receipts and billings, financial accounting and reporting, facilities maintenance, safety and security, and the use of procurement cards. The review period was from September 1, 2008 to January 29, 2010. Fieldwork was conducted from January through April 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Revenue Management

Observation

The department has limited processes in place to ensure the proper accounting of payments.

Significant weaknesses were noted in the University’s housing revenue management processes, particularly regarding the collection, posting and reconciliation of payments. The Department of Residential Living and Learning (RLL) accepts payments for housing deposits from new residents, as well as payments made on student accounts for fines, meal plans and other charges. In addition, the department receives payments for camps, conferences and guest housing.

There is an inadequate segregation of duties in the collection, posting and deposit of the payments received by RLL. One employee is responsible for all aspects of camp and conference housing including scheduling, assigning, invoicing, and payment processing. One employee is responsible for the collection, posting and deposit of the student payments received by RLL. One employee is responsible for invoicing the students or visitors in guest housing as well as collecting and depositing the guest payments. In addition, when the custody of cash is transferred to the Bursar’s Office, the transfers are not being documented through the execution of a receipt or other document acknowledging the transfer. Inadequate segregation of duties for receiving and recording payments, as well as the failure to properly record cash custody transfers, increases the risk that errors or misappropriations could occur and not be detected in a timely manner.

Reconciliations are not being performed by RLL staff for any department accounts or by Financial Services for cash clearing accounts. The lack of periodic and regular reconciliations increases the risk that errors or discrepancies would not be identified and resolved in a timely manner. The following conditions were noted:

- Three of 12 (25%) camp and conference housing receivables were not collected in a timely manner by RLL staff or were still outstanding. To date, one payment totaling $14,532 from June 2009 was still outstanding.
1. Revenue Management (cont.)

- Twelve of 12 (100%) camp and conference receipts were not reconciled by RLL staff to the respective invoice to ensure all fees were appropriately invoiced and paid.

- One of five (20%) guest-housing payments was not collected and posted by RLL staff to the Financial Accounting Management Information System (FAMIS) in a timely manner.

- Twenty of 22 (91%) student housing deposits totaling $13,900 were not included in the daily Banner reports used to tie student activity to FAMIS.

The small size of RLL’s staff has contributed to both the lack of segregation of duties and the failure to reconcile departmental accounts. Financial Services has had turnover in several key positions in the past 18 months and as a result, learned that some functions such as reconciliations had not been performed.

Reconciliations are performed to identify discrepancies between two or more sets of records or systems so that appropriate actions can be taken to resolve outstanding items. Monitoring reconciliations needs to include procedures to ensure all reconciliations are completed and reconciling items are cleared in an appropriate timeframe. Without adequate review and monitoring procedures, the risks are increased that errors or misappropriations could occur and remain undetected from month-to-month.

Recommendation

RLL management should:

- Segregate duties related to the collection and processing of payments. Consider discontinuing the practice of accepting payments and instead, require that payments for meal plans, student fines, camps, conferences and guest housing be processed through the Bursar’s Office.

- Automate the housing deposit payment process.

- Work with Financial Services to implement account reconciliation processes, ensuring all accounts are reconciled on a regular and consistent basis.

- Comply with the University’s Camp and Conference Handbook and process all invoices for housing through the Camp, Conference and UIL Coordinator. RLL should develop written departmental procedures for camps and conferences.
1. Revenue Management
(cont.)

• Review the guest-housing program to determine if it should continue to be offered. If the department chooses to continue the program, comprehensive written procedures should be developed for the program.

Management’s Response

It was discovered by Texas A&M University-Commerce personnel that payments made for student housing deposits are not being correctly processed by the existing interface system between Banner and FAMIS. The payment side of the transaction is being correctly coded to cash clearing accounts, but the liability account for the student deposit is not being correctly credited. The Student IS Manager was notified of the problem on March 25, 2010 and is working on an automated solution to pull the relevant information related to new student deposits from the Deposit Detail table into the nightly “GURFEED” file that is used to create the file that updates the FAMIS accounting system.

A new Housing Deposit Report has been created in WebFocus to facilitate the reconciliation of the Banner Student Housing Deposit balance to the Student Deposit Liability account in FAMIS. A periodic reconciliation process (monthly at a minimum) will be implemented by Financial Services. Reconciling items will be investigated and correcting entries made as necessary to keep the FAMIS Student Housing Deposit Account balance in agreement with Banner.

Completion Date: February 28, 2011.

Payments for meal plans, student fines, camps, conferences, and guest housing will be processed through the Bursar’s Office. Payments received in the mail will be handled and processed to incorporate a checks and balances system.

Completion Date: November 30, 2010.

There will be an online housing deposit system that will allow students to fill out their application and pay their deposit through their MyLeo account.

Completion Date: November 30, 2010.
1. Revenue Management (cont.)

Written procedures for camps and conferences handled through RLL will be compiled and implemented with the assistance of the University Camp, Conference, and UIL Coordinator. The payment and invoice procedure will be included in this handbook.

Completion Date: February 28, 2011.

The size and scope of the guest-housing program will be reviewed and a new set of comprehensive written procedures will be developed and implemented.

Completion Date: February 28, 2011.

2. Classification of Resident Assistant Housing and Meal Plans

Observation

Currently, the University does not classify free housing and meal plans provided to resident assistants in compliance with Internal Revenue Service (IRS) guidelines. RLL provides resident assistants with free housing and meal plans in exchange for them performing certain tasks for RLL. IRS guidelines indicate that payments made to students should be classified as either compensation or scholarships, either of which could be taxable to the resident assistants in certain circumstances. Instead of being properly classified as compensation or scholarships, the housing and meal plans are recorded by the Office of Financial Aid and Scholarships as resources, which are taken into account in determining the student’s financial aid needs.

This issue was previously identified and reported to the University by Internal Audit, but during the period between the termination of the previous RLL director and the hiring of the interim director the issue was never completely corrected. Failure to properly account for the housing and meal plans provided to resident assistants could result in both the University and the student being noncompliant with IRS guidelines.

In addition, RLL records the cost of the housing and meal plans provided to the resident assistants and hall directors as an operating expense. When recording these expenses, RLL does not consistently record the amount of housing and meal plan costs charged to all students (market value). The operating expenses associated with the meal plans provided to 3 of 10 (30%) resident assistants and housing provided to 8 of 10 (80%) resident assistants were recorded at values less than the market values.
2. Classification of Resident Assistant Housing and Meal Plans (cont.)

In addition, RLL did not record the cost of the housing provided to the hall directors, although the cost of their meal plans were recorded as a departmental expense. Inconsistency in recording these costs results in inaccurate reporting of departmental expenses.

Recommendation

RLL should appropriately classify and report in accordance with IRS guidelines all free housing and meal plans provided to resident assistants. The University should consider classifying the resident assistants as employees, thereby paying them a wage and continuing to provide them with free housing and meal plans that would be considered fringe benefits and non-taxable to the resident assistants. RLL should develop position descriptions that state that the resident assistants are required to live and eat on campus to further document the fringe benefit status of the housing and meal plans.

RLL management should record the market values for the housing and meal plans provided to the resident assistants and hall directors to provide an accurate accounting of the true operating expenses associated with these benefits.

Management’s Response

Resident assistant job descriptions and contracts will be developed and implemented. RLL will establish criteria to be used in determining whether the resident assistants’ housing and meal plans will be classified as compensation or scholarships. Documentation supporting the classification will be retained in the student files.

Completion Date: November 30, 2010.

3. Financial Accounting and Reporting

Observation

Financial statements prepared for RLL are limited and costs are not allocated at a detail level.

The housing program’s financial accounts in FAMIS are structured in the aggregate and do not provide sufficient transaction detail to allow management to determine the financial performance and self-sufficiency of the individual residence halls or apartment complexes. Financial Services provides RLL with a department level statement of revenue and expenses on a regular basis, but does not provide RLL with a balance sheet to provide information as to the financial condition of the department. Financial Services does not include
depreciation expense in the statements of revenue and expenses provided to RLL management.

The National Association of College and University Business Officer’s (NACUBO) College and University Business Administration guidelines state that each auxiliary enterprise has the same need for accounting records as have comparable enterprises operated by the private sector. It is important to use cost accounting methods suitable for evaluating, analyzing, and controlling income and expense items, so that appropriate fees and prices may be established. In addition, accounting records are essential to ascertain the degree of self-support of an auxiliary and to provide the basis for control.

**Recommendation**

Financial Services should establish financial accounts at the unit or hall level to ensure that RLL management has appropriate financial information available for decision-making purposes. The financial statements should include depreciation expense to account for future deferred maintenance and the renewal and replacement of equipment and facilities.

**Management’s Response**

Management is aware of the need for segregated financial information for each of its residence units and implemented changes in August 2009 to begin accounting for each new property in separate general ledger accounts so that the revenue and expenses for that unit can be identified and monitored. Separate general ledger accounts for each new property acquired or constructed will be used in the future. While management will explore identifying and separating transaction information for units purchased in the past, it is unlikely that these interconnected activities can be feasibly separated.

Financial Services will develop, at minimum, quarterly financial statements which will include depreciation expense beginning September 1, 2010. The first statements will be submitted to RLL management no later than December 31, 2010 to ensure that RLL management has appropriate financial information available for decision-making purposes. The statements submitted will consist of a Balance Sheet and a Statement of Revenues and Expenses, which will show revenues and expenses by hall for the halls that have separate accounts in addition to a statement for the operation as a whole.

**Completion Date:** February 28, 2011.
4. Lack of Written Procedures

Observation

<table>
<thead>
<tr>
<th>There are no written procedures for several key operational areas within RLL.</th>
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<tr>
<td>RLL has no written procedures for several key operational areas including account reconciliations, camps, conferences, guest housing, occupancy management and key card administration. Because many of the department’s employees are long-term employees, the need for written procedures has not previously been a priority. Policies and procedures help ensure management's directives are carried out and that necessary actions are taken to address risks to the achievement of the department's objectives. Formal administrative procedures reduce risk and enhance accountability.</td>
</tr>
</tbody>
</table>

Recommendation

| Develop comprehensive written procedures for the administration of RLL. |

Management's Response

| Written procedures for areas involving account reconciliations, camps, conferences, guest housing, occupancy management and key card administration will be developed, written, and given to the entire RLL staff through training and be available online through the department share folder. |

Completion Date: February 28, 2011.

5. Residence Hall Safety and Security

Observation

<table>
<thead>
<tr>
<th>Opportunities to improve controls over residence hall key cards and safety inspections were noted.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement over residence hall key cards is needed. Key card access is not being terminated in a timely manner. We noted the following:</td>
</tr>
<tr>
<td>- One hundred forty-two (100%) students continued to have active key card access to a residence hall for approximately four months after it was closed for use.</td>
</tr>
<tr>
<td>- Seven of 18 (38%) students who withdrew from the University in the spring semester of 2010 continued to have active key card access for 22 to 47 days following their date of withdrawal.</td>
</tr>
</tbody>
</table>
5. Residence Hall Safety and Security (cont.)

RLL has no written procedures addressing the administration of key card access, and in the situations above, miscommunications between the key card administrator and RLL personnel resulted in the access not being terminated timely. In addition, 2 of 10 (20%) key boxes containing copies of all keys for the respective residence halls were not adequately secured. This appeared to have been an oversight by the hall directors. Physical security measures such as key control help the University ensure the safety and security of the campus population, as well as securing University assets.

Residence halls are also not adequately documenting health and safety inspections. Three of 10 (30%) residence halls reviewed had no documentation to evidence that health and safety inspections had been conducted in the fall semester of 2009. This was the result of not having the appropriate forms on hand to document the inspections once they were conducted. Documentation of required inspections provides greater assurance that a safe environment exists for students, staff and visitors.

**Recommendation**

Develop comprehensive written procedures for the administration of key cards. Ensure all department employees are properly trained regarding these procedures.

Reinforce existing training provided to hall directors and residence assistants regarding the documentation of inspections and key control procedures. Enforce compliance with the procedures.

**Management’s Response**

*Key card procedures will be developed with the assistance of Jennifer Perry who administers the blackboard system for RLL. New training will be developed and implemented for the fall semester during hall director and resident assistant training.*

*Completion Date: February 28, 2011.*
BASIS OF REVIEW

Objective

Review the University’s housing program operations to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations and University rules.

Criteria

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

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

Background

The Department of Residential Living and Learning is responsible for managing and operating campus housing for undergraduate students, graduate students, camp participants and conference guests. The department currently operates 14 residence halls and 2 apartment complexes, serving approximately 1,475 student residents. The department has a total of six administrative employees, five hall directors and approximately 47 resident assistants. The fiscal year 2010 operating budget is $6.9 million. The department is currently transitioning from a housing department to a residential living and learning community offering student residents a community setting that empowers residents to value learning, citizenship and diversity through faculty and peer engagement.
AUDIT TEAM INFORMATION

<table>
<thead>
<tr>
<th>Dick Dinan, CPA, Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robin Woods, CPA, Audit Manager</td>
</tr>
<tr>
<td>Aliza Dirden, CIA</td>
</tr>
<tr>
<td>Madelyn Galloway</td>
</tr>
<tr>
<td>Katina Greenlee, CPA</td>
</tr>
</tbody>
</table>

DISTRIBUTION LIST

<table>
<thead>
<tr>
<th>Dr. Dan Jones, President</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Mary Hendrix, Vice President for Student Access and Success</td>
</tr>
<tr>
<td>Mr. Bob Brown, Vice President for Business and Administration</td>
</tr>
<tr>
<td>Mr. Brian Nichols, Dean, Campus Life and Student Development</td>
</tr>
<tr>
<td>Mr. Dennis Koch, Residential Living and Learning Interim Director</td>
</tr>
</tbody>
</table>
PROJECT SUMMARY

Overview

The management control processes at Texas A&M University - San Antonio are in transition and require further improvement in providing the University with guidance and oversight to achieve its goals and objectives. The University has seen significant student enrollment growth in the last two years. As the growth trend is projected to continue, a significant challenge facing the University is ensuring the necessary processes and controls are in place and resources/personnel are adequate to successfully manage this growth. This is not unusual for a new university that has seen rapid student enrollment. The University lacks a regulatory compliance program and a human resources plan, both of which are important for a new university to ensure operational efficiency and effectiveness, and compliance with laws, policies, regulations, and University rules. Opportunities for improvement were also noted in the areas of information technology and scholarships.

Summary of Significant Results

Regulatory Compliance

Management processes at the University do not ensure compliance with applicable laws, policies, regulations, and University rules. The University lacks a regulatory framework and a compliance-monitoring program to provide guidance and oversight for regulatory compliance. The magnitude of compliance exceptions identified indicates the need to significantly strengthen compliance controls. The review found compliance exceptions in several areas, including safety, procurement card purchases, satellite campus approval and staff hiring.

Human Resources Plan

The University has not developed a human resources plan to ensure that it acquires and retains appropriate staffing (both quality and quantity) at comparable market compensation rates. Management and staff indicated that some of the University’s...
operational areas do not have adequate staffing to perform effectively and efficiently. Management has been gathering comparative staffing data from other A&M System universities. Without a comprehensive human resources plan, the risks increase that appropriate staffing levels will not be obtained and personnel will be hired that do not have the necessary skills and experience to effectively do the job.

Summary of Management’s Response

Management has indicated concurrence with the audit recommendations and is working to ensure the University successfully implements all recommendations by July 1, 2011. Transitioning into a stand-alone university while enrollment is significantly increasing has presented challenges, but the leadership team is committed to putting the personnel, processes and controls in place to ensure the success of the University. During the process of this audit, several recommendations were made that can be associated with personnel needs. The University has taken action to either post openings immediately or address the concern during the creation of the University Human Resources Plan in Fiscal Year 2011.

Management appreciates the System Internal Audit Department’s efforts to identify issues needing improvement and steps necessary to ensure that improvement is achieved.

Scope

The review of management control processes focused on hiring, safety, purchasing, revenue management, information technology, scholarships, and staffing levels. The audit reviewed activities from September 2008 to December 2009. Fieldwork was conducted from March to May 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Regulatory Compliance

Management processes at the University do not ensure compliance with applicable laws, policies, regulations, and University rules. The University lacks a strong regulatory framework and a compliance-monitoring program to provide guidance and oversight for regulatory compliance. The magnitude of compliance exceptions identified indicates the need to significantly strengthen compliance controls. The review found issues in several areas including safety, procurement card purchases, satellite campus approval and hiring.

1a. Guidance and Oversight Processes

Observation

The University lacks a strong regulatory framework that establishes guidance and oversight processes to provide reasonable assurance that compliance with applicable laws, policies, regulations, and University rules is occurring throughout the University. The University has not developed a formal process to develop, review and update University rules or procedures. To date, the University has not developed 68% (30 out of 44) of the rules or procedures required by A&M System regulations. In addition, a number of the areas reviewed are still in the process of developing written procedures to guide their staff on day-to-day operations. The lack of a strong regulatory framework elevates the University’s risk for noncompliance.

Further, the University lacks a compliance-monitoring program to ensure University operations are conducted in accordance with required laws, policies, regulations, and University rules. Management is aware of this issue and is in the process of strengthening its regulatory framework and developing a compliance-monitoring program. Management has indicated it has since created a Director of University Compliance position to coordinate the development, review, routing for approval, and distribution of new and revised rules and procedures.
Recommendation

1a. Guidance and Oversight Processes (cont.)

The University should improve its guidance and oversight for compliance with applicable laws, policies, regulations and University rules by:

- Developing a strong regulatory framework, i.e. University rules, written procedures, and employee training to provide guidance for compliance with applicable laws, policies, and regulations.
- Developing and implementing a compliance-monitoring program.

Management’s Response

The University now has a formal documented process to develop, review, and update University rules and procedures. The new Director of University Compliance will be responsible for the process of developing and reviewing University rules/procedures, and will implement its compliance-monitoring program. The responsibility of ensuring written procedures are available and training is conducted at the department level will also fall under the Director of Compliance.

Action Plan

- July 19, 2010 – Effective start date of Director of University Compliance.
- February 28, 2011 – All required rules submitted to the A&M System for review and approval.
- May 31, 2011 – The University will have compliance-monitoring program in place.

1b. Safety Program

Observation

The University has not developed and implemented a comprehensive environmental health and safety program, as required by A&M System Policy 24.01. For example, the University has not developed formal/comprehensive written procedures to guide processes such as student travel and chemical and fire safety. In addition, the University has not developed a comprehensive training program for general and specialized positions. While the
University has developed a crisis management plan (in May 2009), as required, it has not tested the plan. Further, custodial supply storage areas do not display Material Safety Data Sheets for chemicals in storage. Apart from the state fire marshal’s inspections, the University does not perform safety inspections of facilities on a regular basis.

Due to its limited size and scope of activities, management considers the University’s current safety risks to be low. However, these risks will increase in size and complexity as the University grows and adds to its academic programs and relocates to its new campus. Management is aware of this and is in the process of hiring a Safety and Risk Manager to develop an environmental health and safety program.

The lack of a comprehensive environmental health and safety program increases the University’s risk of employee/student injury, facility damage and penalties associated with noncompliance regarding federal and state requirements.

**Recommendation**

Develop a comprehensive environmental health and safety program in accordance with A&M System requirements. The program should include regular testing of the University’s crisis management plan and specialized safety training for those positions that require it. In addition, develop and provide Material Safety Data Sheets that provide guidance on how chemicals should be handled and stored to employees who are exposed to hazardous chemicals.

**Management’s Response**

*Comprehensive environmental health and safety program - To address audit concerns and “safety program” recommendations, the University posted an opening for a Safety and Risk Manager. As a result of projected budget cuts in the next biennium the University found it necessary to cancel the search for this position. The safety program recommendations will be addressed with existing resources within the University Police Department, Human Resources, and Facilities.*

**Action Plan**

- December 1, 2010 – Notification to faculty and staff that safety training will be completed through TrainTraq for spring 2011.
1b. Safety Program (cont.)

- May 31, 2011 – Finalize comprehensive environmental health and safety program.

Regular testing of the University’s crisis management plan - The University has engaged a consultant to enhance the crisis management plan to include table top exercises that will allow the management team to test the effectiveness of our plan.

Action Plan

- March 8, 2010 – The University entered into an agreement with a consultant.
- November 30, 2010 – Anticipated completion of revised crisis management plan.

Provide material safety data sheets - The Facilities and Physical Plant department have made Material Safety Data Sheets available in all areas where chemicals are stored.

1c. Procurement Card Purchases

Observation

The University’s procurement card purchasing processes do not adequately provide for compliance with University requirements. For a sample of procurement card expenditures tested, we noted the following:

- Forty percent (4 of 10) of the business meal/food purchases tested did not document the 5 W’s (who, what, when, where, and why), as required by the University’s Cardholder Guide.
- Twenty percent (6 of 30) of transactions tested were not supported by an itemized receipt.
- Twenty percent (6 of 30) of transactions tested did not have evidence of appropriate approval.
- Twenty percent (5 of 25) of the procurement card packets tested were not submitted to Procurement Services by the deadline.
1c. Procurement Card Purchases (cont.)

The high incidence of noncompliance is partly due to inadequate University oversight over procurement card transactions. For example, the University’s Procurement Services did not start tracking noncompliance until January 2010. Tracking noncompliance will assist in identifying employees that require additional training. The lack of compliance increases the University’s risk that funds are used in an inappropriate manner.

Recommendation

Improve compliance with University requirements for procurement card purchases by enhancing Procurement Services’ guidance and review processes to ensure errors are detected and corrected. This may include assigning more resources to the review process, performing more targeted reviews and providing additional training to those who need it.

Management’s Response

Enhance Procurement Services guidance and review process – Effective June 8, 2010, the Procurement department obtained approval of revisions to attachment 1 of the Procurement Guideline document to further define the actions taken in instances of noncompliance. Finance and Administration will ensure that cardholder compliance is monitored on a monthly basis. Additional training is embedded within the action plan to address employee noncompliance described in the Procurement Guideline (see attachment 1). Clear documentation will be kept for instances of noncompliance and actions taken.

Delegations – Effective June 22, 2010, the president has authorized the original five (5) administrators to further delegate purchasing approval authority as deemed appropriate. This further delegation will reduce the amount of required signatures. The University expects increased compliance and on-time submission of cardholder reconciliations as result of this change.

1d. Approval for Satellite Campus

Observation

The University has not developed a satellite campus approval process.

The University did not obtain approval for a new satellite campus within ten days, as required by the Department of Education (DOE). Noncompliance with DOE requirements increases the risk that the University could be fined. Discussions have indicated this was due to a lack of management oversight.
The University’s staff hiring process does not ensure positions are advertised with the TWC.

Observation
Twenty-one percent (5 out of 24) of the new hire files reviewed did not have evidence that the vacancy was posted with the Texas Workforce Commission (TWC), as required by state law. All five incidences of noncompliance occurred during the period that Texas A&M University – Kingsville was relinquishing oversight of the hiring process to the University. Human Resources’ management indicated this was a result of its own oversight.

Recommendation
Closely monitor the hiring process to ensure all vacancies are posted with the TWC and are in compliance with state law.

Management’s Response
The Human Resources department took immediate action to ensure that all new job postings were submitted to TWC. As of November 2009, the University is submitting all job postings to the TWC. In fiscal year 2011, funds are allocated for a job posting integration with PeopleAdmin that allows for automated submission of all new job postings to the TWC. This will minimize the risk of University job postings not being submitted in a timely manner to TWC.

2. Human Resources Plan

Observation
The University has not developed a human resources plan.

The University has not developed a human resources plan to ensure the University acquires and retains appropriate staffing (both quality and quantity) at comparable market compensation rates. An effective human resources plan develops strategies for matching the size and skills of the workforce to organizational needs. Management and staff indicated that the University does
not have adequate staffing in some areas to perform the functions of developing processes while performing routine day-to-day operational tasks in an effective and efficient manner. Management has been gathering comparative staffing data from other A&M System universities. Without a comprehensive human resources plan, the risks increase that appropriate staffing levels will not be obtained and personnel will be hired that do not have the necessary skills and experience to effectively do the job.

**Recommendation**

Develop a human resources plan that outlines appropriate staffing levels and competencies for the University that supports operational effectiveness and efficiency for all areas.

**Management’s Response**

*The University acknowledges the importance of establishing a human resources plan. Goals for fiscal year 2011 include developing a hiring plan and a comprehensive analysis of compensation to ensure the University’s competitiveness in the market.*

**Action Plan**

- November 30, 2010 – The University will assess the Human Resources department staffing capacity to perform the hiring plan project internally versus outsourcing this work to an outside vendor. The Director of Human Resources will evaluate and generate a recommendation to the University leadership.
- May 31, 2011 – The University will complete the hiring plan.

**3. Information Technology**

Improvements are needed in the University’s information security controls to ensure adequate protection of information and compliance with Texas Administrative Code (TAC), Chapter 202. The audit revealed issues with business continuity planning and backup procedures. In addition, while the University has made a good start in leveraging technology to gain operational efficiencies in many areas, opportunities for improvement exist in degree auditing, class scheduling, file maintenance, faculty credentials management and a facilities work order system. These issues are discussed below.
3.1 Information Security

Business Continuity Plan

The University has not developed a business continuity plan to ensure the effects of a disaster will be minimized, as required by the TAC, Chapter 202, Subchapter C, Rule 202.74. Without a plan, the risk that the University will not maintain or quickly resume mission-critical functions is elevated. Management is aware of this requirement and is in the process of finalizing a business continuity plan.

Backup Procedures

The University does not maintain a copy of its backed-up data at an offsite location for insurance in the event of an unforeseen disaster onsite, as required by TAC, Chapter 202, Subchapter C, Rule 202.75 – Backup Recovery. Management is aware of the need for offsite storage of backup tapes and is currently considering a bank deposit box in the short-term while negotiating an arrangement to swap backup tapes with another A&M System campus.

Recommendation

Improve information security by finalizing the University’s business continuity plan and storing backup tapes offsite.

Management’s Response

Business Continuity Plan – The Information Services team has spent a good part of fiscal year 2010 transitioning technology functions from Texas A&M University - Kingsville to San Antonio. Leadership is aware of the importance of establishing the business continuity plan. Most of the University applications are hosted offsite by third parties which minimizes risk to a certain extent. A priority for fiscal year 2011 is to address the need for redundancy and offsite storage through an agreement with a third party (e.g. Texas A&M International University or other A&M System member).

Action Plan

- September 1, 2010 – The University’s Information Services team will review the existing business continuity plan draft and create a checklist of needs to ensure business continuity.
3.1 Information Security
(cont.)

- May 31, 2011 – Finalize and implement the business continuity plan.

Backup Procedures – The University has identified the necessary hardware and software to produce backup tapes for University data.

Action Plan

- June 30, 2010 – Order additional hardware to convert data to tape solution.
- September 1, 2010 – The University will receive, install, test and begin offsite storage (e.g. bank safe deposit box) of University data.

3.2 Use of Technology

Observation

The University’s use of technology could be improved.

While the University has made a good start in leveraging technology to gain operational efficiencies in the areas of human resources, purchasing, accounts payable, revenue management, mass communications, ticket-writing and crime records, opportunities for improvement exist in other areas including degree auditing, class scheduling, file maintenance, faculty credentials management and the facilities work order system.

Degree audits and class scheduling processes are currently manual. Not only is this inefficient, it elevates the risk of errors. Additionally, the University does not have a work order system to facilitate tracking facilities work requests. Work requests are currently submitted via email. While this may be adequate for the University’s current buildings, work requests are expected to increase in number and complexity when the University relocates to its new campus. This will, in turn, increase the risks related to the University’s facilities maintenance program. Further, the University does not currently have a faculty credentials database to facilitate matching University courses against faculty credentials to ensure compliance with the University rule. The matching process is currently performed manually, which is time-consuming and prone to errors. Finally, a significant amount of administrative information is maintained in manual (hardcopy) files.

Management has indicated this is mostly due to the University having to address many competing priorities, a scenario that is typical for a new university. Management also indicated it has
begun implementing a degree audit software package and a college accreditation management system, to be fully operational by the fall semester.

**Recommendation**

Consider investing in technology in the areas of degree audits, class scheduling, file maintenance, faculty credentials management and a facilities work order system for improved operational efficiency.

**Management’s Response**

Class scheduling - Class scheduling is currently performed manually and entered into the BANNER system. The challenge is keeping track of rooms assigned by Banner as courses are entered. People Cube Software was examined to alleviate the placement of two courses in the same room but the greater advantage was the ability to view room availability. Limitation in funding and privileges associated with Texas A&M University - Kingsville’s (TAMU-K) BANNER system provide constraints for the University. Software use will be reexamined along with budgets review and planning during fiscal year 2011.

Degree audit - Degree audits have been performed manually due to system constraints with two universities using the same BANNER data. For many reasons, including expense and accreditation, Texas A&M University-San Antonio (TAMU-SA) must share a data system with TAMU-K. Manipulating BANNER data to fit the needs of TAMU-SA could cause corruption of data for both universities. Degree Works software is used by TAMU-K advisors. After a discussion related to the possibility of TAMU-SA utilizing Degree Works, both universities mutually agreed to review alternatives. It has been determined that CAP software, a part of the BANNER package, could be used by TAMU-SA advisors without contaminating any shared BANNER data. The first training workshop on CAP has been scheduled for TAMU-SA advisors at the end of July with pilot testing on selected students to begin fall 2010.

Faculty credentials – Academic Affairs has recently contracted with Concord to use its XITRACS software for all faculty credentials. XITRACS will facilitate matching the courses faculty members are teaching against their degree levels and qualifications to ensure University and accreditation compliance. The University selected personnel to attend a XITRACS training workshop to inform users of the varying levels of responsibility for faculty, staff and administration that will be involved with the SACS accreditation process.
3.2 Use of Technology (cont.)

File maintenance - Though a significant amount of administrative information is maintained in manual (hard-copy) files, resources are currently unavailable to procure a comprehensive document management system. The University’s Information Technology department is deploying SharePoint as a resource to assist in electronic document management and file sharing within departments. The University expects that SharePoint will help automate workflow capability and increase operational efficiency. The University will also utilize XITRACS to accomplish file maintenance within Academic Affairs.

Facilities work order system – The University is currently evaluating and fully intends on implementing TMA Systems’ computerized maintenance management software (CMMS). TMA Systems’ CMMS will assist in managing day-to-day work orders, tracking routine building maintenance, preventative maintenance, and University vehicle reporting (fleet management).

Action Plan

- August 15, 2010 – Produce purchase order for TMA Systems’ CMMS software.

4. Scholarships

Observation

The University’s scholarship processes require improvement. The University’s current scholarship awarding processes do not adequately justify the selected scholarship recipients. For all (6 out of 6) of the award decisions reviewed, the scholarship selection records did not include a ranking of applicants. For all (6 out of 6) of the award decisions reviewed, there was no evidence of prior approval by the appropriate division committee. In addition, for thirty-three percent (2 out of 6) of the awards reviewed, the applicants did not meet the scholarship application deadline. Finally, the current processes do not include an appeals process. Most of these issues are due to the University’s lack of written procedures to guide the scholarship awarding process. Management is aware of this and is in the process of developing written procedures.
4. Scholarships (cont.)

**Recommendation**

Develop and implement written procedures to provide guidance on the University’s scholarship awarding process. In addition, enhance the current processes by including an appeals process.

**Management’s Response**

The University has created a Scholarship Committee to address the needs of awarding scholarships. A “Scholarship Award Procedure” has been developed and submitted to the president. “Scholar X” online scholarship application software program was purchased in fiscal year 2010. The University has hired a part-time consultant to help identify best business practices in implementing the scholarship program. Features of Scholar X include ranking methodology, award notification, scholarship denials, scholarship deadlines, and access to particular committees and/or subcommittees.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the University’s financial and management controls to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

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

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

Background

Texas A&M University – San Antonio was created by Texas Senate Bill 629 on May 23, 2009 and began operating as an independent university on September 1, 2009. The University offers junior- and senior-level courses in South San Antonio, an area that has been historically underserved in terms of higher education. The University offered 19 and 10 undergraduate and graduate degree programs, respectively, for fiscal year 2009 and had approximately 2,600 students enrolled for the spring 2010 semester. As A&M System’s fastest growing campus, student enrollment has grown by 63% from fall 2008 to fall 2009 and by 56% from spring 2009 to spring 2010. With an annual operating budget of approximately $22 million, the University has 160 faculty and approximately 110 staff.
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PROJECT SUMMARY

Overview

The Texas Engineering Experiment Station’s (TEES) controls over financial management services are generally effective in providing reasonable assurance that resources will be used in an efficient and effective manner, and in compliance with applicable laws, policies, regulations and Agency rules, except in the area of unclaimed property.

The Agency’s fiscal year 2009 operating budget was $108.3 million and it manages over $100 million in research projects annually. The Agency serves Texas with headquarters in College Station and specialized research centers and regional division offices throughout the state.

Summary of Significant Results

Reporting of Unclaimed Property

The Agency is not filing unclaimed property reports with the state for outstanding payroll and accounts payable checks as required by state statute. This was due to a misinterpretation of the state requirements for handling unclaimed property.

Summary of Management’s Response

TEES concurs with the recommendation and has already begun to address the issues identified in the report. All outstanding payroll and accounts payable checks were submitted as required by state statute by July 2, 2010.

Scope

The review of financial management services’ processes focused on purchase vouchers, payment cards, bank reconciliations, budgeting, and accounts receivable for the period September 1, 2008 through December 31, 2009. Fieldwork was conducted from April to June, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Reporting of Unclaimed Property

Observation

The Agency is not filing unclaimed property reports with the state for outstanding payroll and accounts payable checks as required by state statute. In one of the ten (10%) reconciliations reviewed, twelve of the thirteen (92%) outstanding payroll checks were not properly transferred to the state according to the law regarding unclaimed property. This was the result of staff misinterpreting the state’s unclaimed property guidelines and the lack of detailed written procedures for handling outstanding checks. Abandoned payroll checks more than 1 year old and accounts payable checks more than 3 years old as of June 30 of each year should be reported to the state as unclaimed property by November 1 of that year. Remaining balances (totaling approximately $76,000 as of March 2010) in two Bank of America accounts that were closed in 2007 are also affected by this requirement.

Recommendation

Develop detailed written procedures for handling outstanding checks and train and monitor employees to ensure they are aware of and following the procedures. Additionally, file unclaimed property reports in accordance with state law.

Management’s Response

All outstanding payroll and accounts payable checks were submitted as required by state statute by July 2, 2010 and written procedures for handling outstanding checks were documented by August 17, 2010.

By November 30, 2010, employees in the Fiscal and Budgets and Payroll Office will be trained on the procedure. The Office of Risk and Compliance will monitor to verify procedures are being followed.
2. Payment Cards

2a. Payment Card Check-out Logs

Observation

Payment card check-out logs are not being used consistently.

Payment cards were not checked out properly in three of thirty (10%) payment card transactions selected for review. These exceptions were caused by three departments not following the Agency’s guidelines. The TEES Payment Card Program Guide says that the payment card is issued in an employee’s name and that they are responsible for the security of the payment card and the transactions made with it. If an employee allows another employee to use their payment card, the Guide requires the employee to document the authorization with the use of a Payment Card Check In/Out Log.

Recommendation

Ensure compliance with the TEES Payment Card Guide with respect to using check-out logs.

Management’s Response

By November 30, 2010, the Office of Risk and Compliance will begin quarterly reviews of Payment Card Check In/Out Logs.

2b. Timeliness of Payment Card Vouchers

Observation

Vouchers to reimburse payment card transactions are not submitted timely.

Reallocation vouchers were submitted late for fifteen of thirty (50%) payment card transactions selected for review. JP Morgan Chase, the payment card vendor for the state, is paid with one wire transfer each month. The Fiscal Office requires departments to submit a voucher that serves to reallocate expenditures in the accounting system to the correct accounts and object codes. These vouchers are required to be submitted within 25 days from the date the individual card statements are received. Some departments do not understand that reallocation vouchers not submitted timely lead to inaccurate information within the accounting system.
Recommendation

2b. Timeliness of Payment Card Vouchers (cont.)

Ensure that payment card vouchers are processed timely.

Management’s Response

Beginning September 1, 2010, a new procedure will be implemented to process vouchers timely.

3. Written Procedures for Budgeting Process

Observation

There are no comprehensive written procedures for the Agency budgeting process. The Agency does have some written procedures, but they do not contain the detailed procedures to explain the process that would be needed for someone new to perform the job. Employees were aware of the need for comprehensive procedures, but developing them had not been a priority. Without comprehensive written procedures, the risk exists that required processes will not be carried out properly in the absence of key personnel.

Recommendation

Develop comprehensive written procedures for the budget process.

Management’s Response

Written procedures for the budget process were documented by August 6, 2010.
BASIS OF REVIEW

Objective

The purpose of the audit was to evaluate the financial and management controls over the Agency's financial management services' operations to determine if resources are used efficiently and effectively, assets are safeguarded, and compliance is achieved with applicable laws, policies, regulations, and Agency 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 performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Texas Engineering Experiment Station was established in 1914 and is the engineering research agency of the State of Texas. The Agency’s mission is “to perform engineering and technology-oriented research and development for the enhancement of the educational systems and the economic development of the State of Texas and the nation.” Research performed by the Agency is driven by current public needs to enhance the quality of life in Texas.
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PROJECT SUMMARY

The Texas A&M University System Office of Facilities, Planning and Construction (FP&C) has established controls over its construction projects that generally provide assurance that projects are managed efficiently, effectively and in compliance with applicable laws, policies, regulations, and rules. Opportunities for improvement were noted in the areas of bond premium rebates and construction bond documents.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Bond Premium Rebates

Observation

Procedures have not been developed by FP&C to request bond premium rebates where no claims were made on the bonds throughout a project. Negotiating for bond premium rebates appears to be a relatively new concept in higher education construction project management and FP&C management was not aware of this opportunity.

Since June 2007, Construction Manager at Risk (CMAR) and Design-Build (DB) contracts have included language establishing the right to obtain rebates for bond premiums. In Texas, bonding companies may pay an average of 20% rebate to the general contractor if there is no claim on the bond during the project. In turn, project owners may negotiate with the general contractor to obtain a rebate of approximately 20% of bond premiums paid. As of June 2010 bond premiums totaling approximately $5.4 million had been paid on twenty-two CMAR or DB contracts that included bond rebate verbiage. These projects have not been completed thus bond premium rebates cannot yet be requested. The maximum potential rebate (at 20%) for bond premiums paid on the twenty-two contracts is approximately $1.1 million. Not pursuing these rebates results in a potential loss of funds which could be returned to source accounts for future use.
Recommendation

Establish procedures for negotiating with general contractors regarding rebates on bond premiums where no claims were made on bonds throughout a project.

Management’s Response

We are implementing a process whereby we will receive documentation relating to any bond rebates as a part of a contractor’s request for final payment. We have already notified the contractors on six projects that are substantially complete that they shall provide this documentation as a part of their request for final payment.

2. Construction Bond Documents

Observation

Performance and payment bond forms lack approval by the Attorney General of Texas as required by Texas Government Code Section 2253.021. Bond forms in use were developed by the A&M System and submitted to the Attorney General; however, approval has not been granted or denied. FP&C is working in conjunction with the A&M System Office of General Counsel to obtain approval for the bond forms. Noncompliance with the Texas Government Code requirements could result in concern regarding the sufficiency of bonds forms used by FP&C.

Recommendation

Continue working with the A&M System Office of General Counsel to obtain approval of the A&M System performance and payment bond forms currently in use as required by Texas Government Code Section 2253.021.

Management’s Response

We are continuing to work with our Office of General Counsel on this issue. An attorney with the Texas Attorney General’s office has reviewed the bond forms and verbally indicated to our General Counsel that it is his opinion that our bond forms are legally sufficient; however, he must receive final approval from his division chief. This approval will be indicated on Texas A&M bond forms whenever approval is formalized.
BASIS OF REVIEW

Objective and Scope

The audit objective was to review a sample of construction contracts entered into by Facilities Planning and Construction to determine if construction projects achieve the specified level of quality for best value and are in compliance with laws, policies, regulations, and rules.

The review of construction projects focused on records for three specific projects: TAMU Veterinary Research Building Addition valued at $25.5 million; TAMU-Texarkana Multipurpose Library and Central Plant valued at $75 million; and the HSC Medical Research and Education Building and Health Professionals Education Building valued at $131 million. Activities and transactions related to insurance and bonds, project payments, contract change orders, subcontractor activities, direct labor/labor burden, and equipment rentals were reviewed for the period of project inception through October 2009. Fieldwork was conducted from November 2009 to June 2010.

Criteria

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

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

Background

The Office of Facilities Planning and Construction is dedicated to the ongoing program to improve and expand all physical facilities in support of the teaching, research and service missions of each university and agency of the Texas A&M University System. The department seeks to accomplish this by providing timely and
efficient professional services in a fiscally sound manner throughout all phases of project development.

FP&C is organized into three divisions including project planning, project delivery and project controls. In addition, the office also employs three external firms to assist with program management requirements in the north, south, and central areas of the state. For fiscal year 2009, the Texas A&M University System had approximately 60 active construction projects totaling more than $1.4 billion.

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PROJECT SUMMARY

Overview

Overall, Prairie View A&M University has financial and management controls established over auxiliary operations to provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules. Opportunities for improvement were noted in the areas of commission revenue verification, cash receipts, and Memorial Student Center rental rates.

The University delivers a wide range of essential auxiliary services. Dining, housing and the bookstore are outsourced to private companies that specialize in the management of these operations. University-managed auxiliary services include parking, the Memorial Student Center, and laundry services.

Summary of Management’s Response

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

Scope

The review of auxiliary operations included the areas of dining, housing, parking, the Memorial Student Center, bookstore, and laundry. Contracts, cash receipts, and reconciliations pertaining to these areas were reviewed focusing on the period from September 1, 2008 to January 31, 2010. Fieldwork was conducted from March through May of 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Verification of Commission Revenue

Observation

The University’s Auxiliary Services does not have adequate processes in place to provide assurance that commission revenues received are complete and accurate. Testing identified that there is no documented verification that the commissions received for bookstore and dining operations were calculated accurately, in accordance with contract terms. The bookstore and dining operations generated approximately $200,000 and $450,000 in fiscal year 2009 commission revenues, respectively.

Personnel involved did not understand the importance of verifying commissions received from vendors. Without verification of commission revenue, there is an increased risk that an inaccurate commission could be paid and not detected. According to the Treadway Commission’s Committee of Sponsoring Organization’s Internal Control - Integrated Framework (COSO), control activities such as verifications help ensure that necessary actions are taken to address risks to achieve the entity’s objectives.

Recommendation

Verify and document that commissions received from the bookstore and dining operations are accurate and correctly calculated.

Management’s Response

We agree with your recommendation and we are implementing a formal process to verify and document that commissions received from the bookstore and dining operations are accurate and correctly calculated.

Administration and Auxiliary Services management will conduct the following:

- Develop a commission statement spreadsheet to verify and document commission received from vending, dry cleaning services, trademark licensing, bookstore, and dining operations. The commission statements will be reconciled monthly by the
1. Verification of Commission (cont.)

行政助理并由助理副校长审核。

This process will be implemented by January 1, 2011.

2. Cash Receipts

Observation

没有建立转移时的链路。资金在Auxiliary Services内部转移时没有建立链路。链路应在Auxiliary Services人员之间转移时建立，这些人员分别收集并存入辅助服务的现金收据，包括辅助服务的活动，如特别活动停车，洗衣服务，停车表，和信息中心。

Auxiliary Services的人员不知A&M系统要求在资金转移时建立链路。资金可能被挪用，没有记录谁拥有资金帮助建立责任。

A&M系统规定，当一一个人转移资金时，接收资金的人必须执行一个官方法定收据或文件承认转移。

Recommendation

建立Auxiliary Services的基金从一个个人转移到另一个。

Management’s Response

我们同意您的建议并正在建立一个正式的程序从一个个人转移到另一个。

Administration and Auxiliary Services management will conduct the following:

- Develop a cash handling procedure that will include a chain of custody for transferring funds from one individual to another.

This process will be implemented by October 1, 2010.
3. Memorial Student Center Rates

Observation

<table>
<thead>
<tr>
<th>Memorial Student Center rental rates are not reviewed periodically.</th>
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The rates for space rental at the Memorial Student Center were established when the building was built in 2003 and have not been adjusted. Documentation was not available of analysis performed in reviewing pricing structures for the Memorial Student Center to ensure pricing structures are affordable, competitive, and cover direct and indirect expenses.

Management did not see the necessity in performing detailed pricing analysis on a periodic basis. As a result, rates may not be set at a level necessary to generate revenues to fund future operational and capital expenditures. The National Association of College and University Business Officer guidelines state that rates for all auxiliary enterprises should be reviewed annually when anticipated increases in expenditures can be projected.

Recommendation

Perform a formal analysis of the Memorial Student Center’s rate structures on a periodic basis to determine if rates charged are reasonable and sufficient funds are generated to cover direct and indirect expenses, as well as, future operational and capital funding needs.

Management's Response

We agree with your recommendation and we will perform a formal analysis of the Memorial Student Center’s rate structure on a periodic basis.

Administration and Auxiliary Services management will conduct the following:

- Perform an annual review of space rental rates to determine if rates are reasonable and sufficient to cover direct and indirect expenses, as well as, future operation and capital funding needs. These rates will be approved by the senior vice president for Business Affairs and reviewed annually.

This process will be implemented by January 1, 2011.
BASIS OF REVIEW

Objective

Review the financial and management controls over auxiliary operations to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules.

Criteria

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

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

Background

Auxiliary operations are operated as both outsourced functions and managed internally by the Auxiliary Services’ personnel. Housing, dining, and bookstore are outsourced to American Campus, Sodexho, and Follett, respectively. Parking, with the exception of the School of Nursing Parking Garage in Houston, and the Memorial Student Center are managed by the University. The day-to-day operations of the Nursing Parking Garage are outsourced to the University of Texas Health Science Center. The laundry provides self-service washers and dryers, while outsourcing dry cleaning and non-self serve laundry services to Fabric Care.
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PROJECT SUMMARY

Enterprise risk management (ERM) processes at Texas A&M University provide reasonable assurance that significant events that could adversely affect the accomplishment of key goals have been identified and appropriately evaluated and assigned mitigation and monitoring strategies. Controls over ERM could be enhanced by developing a standard administrative procedure (SAP) to officially document the ERM process. In addition, communication with employees responsible for risk mitigation and monitoring activities could be improved to allow for greater transfer of information throughout the University.

The Texas A&M University ERM process, which is managed by the Office of University Risk and Compliance (URC), has been identified nationwide as a model of reference. External parties, including universities and industry companies, have contacted URC requesting assistance with risk assessment tools, templates, and plans to help establish ERM processes.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Standard Administrative Procedure

Observation

A standard administrative procedure (SAP) has not been developed to formalize the ERM process for the University. A memorandum was issued in September 2009 from the Office of the President to vice presidents, deans, and directors to define ERM, communicate its value to the University community, and reinforce previous internal communication and ERM activities. While this memorandum conveys support for ERM from executive management, implementation of a SAP would provide consistent, approved written guidance to help ensure management directives are carried out and necessary actions are taken to address risks. The absence of these guidelines results in greater reliance on personnel to ensure ERM is appropriately implemented.
Direct communication with employees responsible for risk mitigation and monitoring activities could be enhanced.

Throughout the University, changes in personnel could result in deviations of implementation practices.

**Recommendation**

Develop a SAP that defines the University's enterprise risk management process and requirements necessary to meet the process objectives.

**Management's Response**

A standard administrative procedure will be developed by February 28, 2011.

2. Information/Communication

**Observation**

Direct communication with employees identified as responsible for risk mitigation and monitoring activities at the start of the 2009 ERM cycle did not occur to ensure those persons were aware of the relationship between their job responsibilities and ERM. Communication of responsibilities was discussed for a sample of ERM items tested as part of URC's 2009 ERM internal management review performed in the latter part of the 2009 cycle. In addition, communication of changes in responsible parties and mitigating and monitoring activities are weak. Inadequate communication of responsibilities and changes in accountability and mitigating and monitoring activities could result in a decreased level of assurance that risks are being addressed effectively and efficiently.

The internal management review report on mitigating and monitoring activities conducted by URC as part of the 2009 ERM cycle was communicated to the University president in June 2010. Sharing this information with employees below the executive level would promote stronger support for the process as participants could see how they are aiding in the success of the activity.

For communication to be most effective, relevant information must be shared vertically and horizontally across the University.
Recommendation

Communicate ERM responsibilities with parties designated as accountable for risk mitigation and monitoring activities. Enhance communication throughout the ERM cycle to capture both changes in mitigating and monitoring activities as well as the employees responsible for managing those activities.

Distribute results of ERM test work performed by URC to other University executive management and participants of the university-wide risk assessment process.

Management’s Response

Information and requests for changes will be communicated to parties with ERM responsibilities during the ERM cycle to provide them information on how they are aiding the University’s ERM process and to capture changes in mitigating and monitoring activities and accountable persons. Target date: August 31, 2011.

In addition, the results of URC’s internal management review were distributed to the participants of the University-wide risk assessment and other responsible parties noted in the report in August 2010.

BASIS OF REVIEW

Objective and Scope

The audit objective was to determine if the key elements of the University’s enterprise risk management processes are designed to identify and mitigate risks through the use of a systematic organization-wide approach. Our review focused on the components of enterprise risk management as defined by the Committee on Sponsoring Organization of the Treadway Commission. These components include the institution’s internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring processes. Activities and documentation related to these components were reviewed in correlation to the fiscal year 2009 ERM Risk Footprint. Audit fieldwork was conducted from April to June 2010.
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 Enterprise Risk Management – Integrated Framework, and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The mission of the university-wide risk management program is to integrate an enterprise-wide risk management process within the University designed to identify and assess risk management strategies used to provide reasonable assurance regarding achievement of the University’s objectives. Development of the initial University ERM Risk Footprint occurred in October 2004. Reassessments of identified risks and mitigating and monitoring activities have occurred in 2006 and 2009.

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PROJECT SUMMARY

Overview

The enterprise risk management (ERM) program at the Texas Transportation Institute provides reasonable assurance that significant events that could adversely affect the accomplishment of key goals are identified, appropriately evaluated, and assigned appropriate mitigation and monitoring strategies. Periodic accountability reports to senior management provide the necessary monitoring of the effectiveness of mitigating activities. The ERM plan is closely linked to the Agency’s strategic plan.

The ERM plan details the Agency’s commitment to risk management and provides guidance to employees on the ERM process. The plan describes the risk management process and assigns roles and responsibilities to its management, researchers and staff. Risk identification and assessment activities are performed by a cross-functional team of administrative and research managers, most of who are involved in the Agency’s strategic planning process.

Risk response activities assign more mitigation and monitoring resources to higher ranked risks. The ERM plan includes monitoring for unexpected conditions and changes in conditions at various levels of the organization through the use of periodic activity and performance reporting to senior management.

Management has communicated the ERM plan to staff via the Agency web site, email, and staff meetings. The ERM process provides for a regular review and update of the ERM plan.

BASIS OF REVIEW

Objective and Scope

The overall objective was to determine if the key elements of the Agency’s enterprise risk management processes are designed to identify and mitigate risks through the use of a systematic,
organization-wide approach. Fieldwork was conducted from May to June 2010.

Criteria

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

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

Background

The Texas Transportation Institute’s mission aims to “identify and solve transportation problems through research, transfer technology and develop diverse human resources to meet the transportation challenges of tomorrow.” With an annual budget of $55.6 million, the Agency has 625 staff. With approximately 15% of its budget funded from state appropriations, the Agency is dependent on its research sponsors for the continuity and success of its programs. With an aggressive push for increased private and federal research funding, the Agency has reduced its Texas Department of Transportation funding from 60% to approximately 52% in the last few years.
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PROJECT SUMMARY

Prairie View A&M University had controls in place to ensure compliance with the Texas Higher Education Coordinating Board’s grant conditions for its 2006 Technology Workforce Development (TWD) Grants Program. Expenditures for the grant were allowable, and all other applicable Coordinating Board requirements were met. The University received grant funds totaling $284,429 for the Texas Engineering and Technical Consortium (TETC) Texas Youth in Technology Demonstration Project, Project No. 003630-TYT06-0001.

BASIS OF REVIEW

Objective and Scope

The objective of this audit was to test the University’s compliance with the Texas Higher Education Coordinating Board’s regulations associated with TWD awards. Transactions related to this grant were reviewed for the period August 2006 to August 2008. Fieldwork was conducted in August 2010. The audit team used the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Technology Workforce Development Grants Program as criteria to determine the following:

- If expenditures, including salaries, were allowable and related to grant activities.
- If budget transfers were appropriately approved.
- If required reports were filed timely.
- If all other requirements set forth in the grant conditions were met.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, the Texas Higher Education Coordinating Board’s 2006 Grant Conditions for the Technology Workforce Development.
Grants Program, and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform to the Institute of Internal Auditors’ “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

In 2001, the 77th Texas Legislature passed the Technology Workforce Development Act, in response to requests by industry to increase the number of electrical engineering and computer science graduates from higher education institutions in the state. The purpose of the law was:

- To provide seed money that would enable institutions to expand enrollments in engineering and computer science programs.

- To increase both the quantity and quality of baccalaureate-level engineers and computer scientists.

- To foster cooperative relationships and activities involving technology companies and universities that offer engineering and computer science degrees.

This legislation created the Texas Engineering and Technical Consortium, the Technology Workforce Development Grants Program, and charged the Texas Higher Education Coordinating Board (THECB) with administration of the grant program. This grant program has not received ongoing Legislative appropriation and is no longer offered by the University.
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