The Texas A&M University System Internal Audit Department

FOURTH QUARTER REPORT
FISCAL YEAR 2011

October 17, 2011
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Fourth Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY - TEXARKANA

Review of Financial Management Processes

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

Overview

The financial management services’ processes at Texas A&M University – Texarkana do not provide reasonable assurance that financial resources will be used in an efficient and effective manner, and in compliance with applicable laws, policies, regulations, and rules. Significant weaknesses and noncompliance were identified in the areas of cash handling, accounts receivables, and reconciliations. Significant improvements are needed in these areas to ensure that the University’s financial resources are adequately safeguarded and appropriately accounted for in compliance with state and A&M System requirements.

The University has experienced turnover in key financial management positions which were held by the same individuals for many years. This loss of experienced staff, along with the University’s downward expansion and new campus, has challenged the University in meeting its new and expanded financial management services’ responsibilities.

Summary of Significant Results

Monitoring and Oversight

Insufficient monitoring and oversight of certain University financial management services’ processes increases the University’s risk of noncompliance and loss due to errors, mismanagement, and/or misappropriations. The lack of staff knowledge and training, particularly with the University’s student information system, has resulted in weak core internal control processes related to cash handling, accounts receivable and reconciliations.
Cash Handling

Controls over cash handling need to be strengthened to provide adequate protection and reduce the risk of the loss of funds. Significant weaknesses were identified in the Business Office’s controls over cashier activities and daily deposits, the segregation of incompatible duties, and the physical security over funds. The Business Office handles all student tuition and fee receipts as well as departmental deposits. Weaknesses also exist in controls over the working funds at the Library.

Accounts Receivable

Accounts receivable management processes do not ensure compliance with state and A&M System requirements. Receivables are not actively monitored to ensure payments on student and third-party accounts are received timely, nor are monthly aged receivable reports produced for monitoring of outstanding receivables. Additionally, collection efforts on outstanding receivable balances are minimal. Without effective and timely collection and monitoring efforts, the University's risk of loss due to uncollectible accounts or misuse of funds is increased.

Financial Reconciliations

Processes and procedures are not in place to ensure that clearing account and student information system reconciliations are performed and reconciling items are cleared in a timely manner. Additionally, the financial staff’s lack of knowledge and training on the student and financial information systems impact their ability to prepare accurate and complete reconciliations between these two information systems. Periodic reconciliations ensure that all related transactions between two sets of records are appropriate. Without adequate review and monitoring of the reconciliation process, the risk of errors, discrepancies or misappropriations occurring and not being detected is increased.

Summary of Management’s Response

Texas A&M University – Texarkana’s administration is in agreement with the recommendations as set forth from the Internal Audit Department’s review of the fiscal management services’ processes. A new CFO/Vice President for Finance and Administration was hired October 2009. At that time, because of a retirement of the only Vice President/CFO in its history and the appointment of a new Vice President/CFO, the University requested that the Texas A&M University System Internal Audit department provide an evaluation
and audit of the processes and procedures of our entire Finance and Administration function. The audit covered the period January 1 to December 31, 2010.

Administration is taking necessary actions to improve processes and strengthen procedures related to monitoring and oversight of required processes, cash handling, accounts receivable and financial reconciliations.

Scope

The review of Texas A&M University - Texarkana's financial management services' processes focused on reconciliations, accounts payable, accounts receivable, purchasing, revenue management, records retention, information technology, working funds and property management. The audit covered the period January 1, 2010 to December 31, 2010 and fieldwork was conducted from February to April 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Monitoring and Oversight

Observation

Insufficient monitoring and oversight of certain University financial management services' processes increases the University's risk of noncompliance with applicable laws, policies and regulations and the loss of funds due to errors, mismanagement, and/or misappropriations. The University's current financial staff's lack of knowledge and training, particularly with the University's student information system, and to some degree the financial system, has resulted in ineffective oversight and nonperformance of core internal control processes related to cash handling, accounts receivable and reconciliations (see remaining audit observations for additional information on these areas).

In the last two years, the University has experienced high turnover in key financial management positions which were previously held by the same individuals for many years. This loss of experienced staff, along with the additional duties associated with the recent downward expansion and new campus, has challenged the University in meeting its new and expanded financial management services' responsibilities.

For the University to establish and maintain a strong control environment over its financial resources, employees must have the knowledge and training to appropriately perform their duties and monitor operations.

Recommendation

Provide the financial management services' staff with sufficient training on the University's student and financial information systems, and A&M System requirements, in order to ensure they have the necessary knowledge to effectively perform their job duties. Implement a monitoring and oversight process that identifies noncompliance and promotes accountability in the University's financial management services' processes.
Management’s Response

1. Monitoring and Oversight (cont.)

Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and has taken the following actions:

Management has provided training in both the Banner student information system and the FAMIS financial system since the audit concluded. Each training was attended by key personnel in these areas which will enable our staff to gain the understanding and specific knowledge to monitor and oversee the processes that will identify noncompliance and promote accountability. Training will continue to be emphasized from an internal and external standpoint as we continually seek vendor and system training as well as expand internal trainings for identified staff. Initial training is completed with continued ongoing internal and external trainings.

Oversight and monitoring of key processes and critical operational areas has been changed since the audit. Job descriptions are currently being modified and awaiting approval. The staff accountants have been assigned specialized areas to monitor and review on an ongoing monthly basis. These areas include but are not limited to Cash & Accounts Receivable, Accounts Payable & Disbursements, General Ledger oversight and Budgets, and Grants & Research. All oversight and monitoring changes have been implemented and will be evaluated for effectiveness by December 31, 2011.

2. Cash Handling

Observation

The University’s cash handling processes need significant improvements in order to adequately safeguard and account for its cash resources and to comply with A&M System requirements. Control weaknesses were identified in the University’s Business Office operations and the Library’s working funds as noted below:

Business Office Operations

Business Office cashier and deposit processes do not provide reasonable assurance that funds collected are properly accounted for and deposited timely. The Business Office handles all student tuition and fee payments as well as departmental deposits. For the fall 2010 semester, over $4 million in student tuition and fees were collected by the Business Office. A review of daily cashier deposit worksheets revealed errors in manual calculations and
2. Cash Handling (cont.)

inconsistencies between the amounts on the worksheets and the supporting daily transaction reports. These errors and inconsistencies were not detected and corrected during the worksheet review and daily bank deposit reconciliation processes. The worksheet was not designed and used appropriately to ensure that errors were identified and corrected and accountability over funds was maintained. The cashier and reviewer signatures were not consistently recorded on the worksheet. Additionally, documentation of the transfer of funds between the cashiers, the business office manager who reviews worksheets and prepares bank deposits, and the security officer taking the deposit to the bank was not maintained.

Deposits were not made timely. Four of five daily cashier deposits reviewed were not deposited within one day of receipt as required by the University’s internal procedures. In addition, during an inventory of the Business Office’s safe contents, three daily deposits totaling over $40,000 had not been taken to the bank. One deposit of $38,160 had been in the safe for nine days. State law and A&M System regulation require bank deposits to be made within seven days of the date of receipt.

Checks were not recorded, receipted, restrictively endorsed and secured immediately upon collection. During a review of the Business Office cash funds, auditors noted four checks that were being held outside the cash register. The cashier indicated that she was not sure how to process the transactions and was waiting for guidance from the supervisor. The cashier took the checks from the customers, but had not recorded the transactions or issued a receipt to the customers.

There has been significant turnover of staff in the Business Office which has resulted in a lack of knowledge of the necessary controls and processes to properly account for daily cashier activity and deposits. Without appropriate controls to provide accountability for funds there is an increased risk that errors and/or the misappropriation of funds may occur and not be detected in the normal course of business operations resulting in the loss of funds. A&M System regulations require that accountability for funds be maintained from the origin of collection until the final deposit into an approved depository bank.

Library Working Funds (Prior audit issue)

Internal controls over the Library’s working funds totaling $170 (two $30 cash drawers and a $110 change machine) are weak. All Library employees had access to the working funds; therefore, individual accountability was not maintained. The transfer of funds
2. Cash Handling (cont.)

between individuals was not documented, and processes were not in place to make routine deposits of copy machine receipts. Duties were not appropriately segregated. One individual had access to the funds, prepared the cash fund reconciliations and deposits, and reconciled the accounts. A&M System Regulation 21.01.02 recommends the segregation of incompatible duties: authorization, custody, record-keeping and reconciliation.

Additionally, the Library’s working funds were not documented in the University’s official financial accounting records, nor was a written request or an acknowledgment of responsibility form signed by the fund custodian on file. The Library retained customer and copy machine receipts to establish the working funds rather than establishing working funds through a request approved through the University’s fiscal office as required by A&M System Regulation 21.01.02. This same issue was also noted in a prior System Internal Audit Department audit issued in fiscal year 2006.

Library personnel were not familiar with appropriate procedures for establishing or maintaining working funds. Without adequate internal controls to prevent or detect errors or misappropriations, the risk of loss of funds is increased.

Recommendation

To improve cash handling processes and ensure compliance with applicable laws and requirements, the University should:

- Require training on appropriate cash handling controls and related A&M System regulations for all individuals involved in or supervising cash handling operations.

- Develop internal procedures for staff to follow to ensure effective and accurate cash handling and timely deposits in compliance with A&M System regulations and state requirements.

- Issue receipts for all funds received and restrictively endorse checks upon receipt.

- Maintain individual accountability for funds and document the transfer of funds between individuals.

- Ensure working funds are appropriately authorized and accurately recorded in University accounting records.

- Segregate incompatible duties in order to safeguard the funds.
Management's Response

2. Cash Handling (cont.)

Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and is taking the following actions:

The following issues have been communicated to staff whose jobs duties include these tasks: timely deposits; recording, receipting, restrictively endorsing and securing checks; and processing transactions timely. The University is in the process of strengthening the procedures for all cash handling duties. A cash handling policy and procedure has been developed and is going through final review. This policy/procedure will address all cash handling for all departments in the University that are either a cash collection point with a cash working fund (i.e. Business Office and Library) and those departments that only collect cash (i.e. Institutional Advancement) and remit funds to the Business Office for deposit. All account managers who are responsible for working funds are now required to recertify their cash funds by signing a new custodian form annually. Target date for completion is November 30, 2011.

The controller and University business manager attended a statewide cash handling seminar on July 21, 2011 hosted by the Government Treasurers’ Organization of Texas. All cashiering personnel will be required to attend internal and, if available, external cash handling trainings on an annual basis which will include segregation of duties, transfer of funds, proper receipting and endorsement of funds and timely deposit of funds. Target date for completion of these required trainings is November 30, 2011.

The cashier deposit worksheet has been redesigned in a password protected Excel spreadsheet. A provision for required signatures is provided on a spreadsheet for accountability and monitored for completeness by the accountant overseeing the cash functions. The Business Office implemented this new method and worksheet April 2011.

The Library working funds of $170 have been recorded and corrected in FAMIS as of March 3, 2011. Procedures for the Library working fund are in development and will be finalized, approved and operational by November 30, 2011.
3. Accounts Receivable

Observation

Monitoring and collection processes over accounts receivable need improvement.

Student accounts receivable management processes do not ensure outstanding accounts receivable are collected in compliance with state and A&M System requirements. Processes are not in place for effective monitoring of student and third-party receivables. A monthly aged accounts receivable report is not produced for monitoring of outstanding student receivables. Staff was not aware of how to produce the report from the University's student information system. The monthly aged receivable report is an important internal control that facilitates monitoring and collection efforts and is required by A&M System Regulation 21.01.04, Extension of Credit.

There is also a lack of collection efforts for delinquent student and third-party accounts receivable. Timing of current collection efforts is ineffective. There is not a process in place to ensure holds are placed on student accounts if they are delinquent in paying their accounts. Past due accounts are not sent to collection agencies and the University has not established a policy to write-off uncollectible accounts. All of these processes assist the University in managing its outstanding accounts receivable and are required by state and/or A&M System requirements. The loss of University funds due to ineffective collection efforts over accounts receivable is increased without well trained staff to perform effective monitoring and collection processes.

Recommendation

Provide in-depth training to Business Office employees on the University's financial and student information systems and on accounts receivable controls and related state and System regulations in order to enable them to efficiently and effectively perform their job responsibilities.

Establish accounts receivable monitoring and collection procedures in compliance with A&M System Regulation 21.01.04.

Management’s Response

Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and has taken the following actions in response:
3. Accounts Receivable (cont.)

Personnel received training to run the Banner ARTB (aged trial balance.) It is being run on a monthly basis and sampled accounts are crosschecked and verified against Banner to assure accuracy is achieved and the report can be relied upon. The aged trial balance report will be reconciled back to the financial information system on a monthly basis to determine accuracy of reports. This report has been implemented since May 2011 and the reconciliation procedures will be completed by October 30, 2011.

Collection agencies that are currently used by Texas A&M University have been contacted and will be given consideration with selection no later than December 31, 2011. A delinquent account list has been created and backup/supporting documentation is being collected to be given to the selected collection agency. Procedures are being written for billing, collections, and third-party account receivables management. The procedures, in compliance with A&M System Regulation 21.01.04, will be submitted to the Administrative Council for approval due the sensitivity and impact upon University. Any account over 30 days old will be contacted through the official email system of the University. A second notice at 60 days past due will be sent to all accounts to their permanent mailing address alerting them they will have 30 days to take care of their accounts or be turned over to a collection agency. Any account older than 90 days will be submitted to our selected collection agency and placed with credit rating organizations. A third-party receivable policy and procedure will be modified so students will be held responsible for any balance unpaid by the third-party after 90 days. This action will be completed by February 28, 2012.

A written policy on write-offs of uncollectible accounts is currently being established and will be completed by December 31, 2011.

The Business Office Manager lacked access to the account hold job in Banner. This has been corrected. Written procedures addressing hold on student accounts has been developed and is awaiting approval. Target date for completion is October 30, 2011. The University has applied for and received the remaining warrant hold codes from the State Comptroller’s Office. A procedure for the utilization of State Comptroller warrant holds will be included in the collection procedures.

The monitoring, in compliance with A&M System Regulation 21.01.04, of the overall accounts receivable balances will be assigned to Accounting Department staff. Target date for implementation is December 31, 2011.
4. Financial Reconciliations

Observation

Processes are not in place to ensure that all reconciliations and clearing of outstanding items are completed timely.

The University does not have processes in place to ensure that all account reconciliations are routinely performed and reviewed, or that outstanding reconciling items are cleared in a timely manner. The clearing accounts are only reviewed annually as part of the annual financial reporting process, and no reconciliation was performed between the financial accounting system and the student information system. Clearing accounts should be reconciled more frequently in order to ensure issues are resolved in a timely manner. Periodic reconciliations are necessary to identify differences between two or more sets of records or systems so that appropriate actions can be taken to resolve any discrepancies or outstanding items. Monitoring of 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 discrepancies would remain undetected.

In addition, the 2010 annual unclaimed property report due to the State Comptroller was not submitted until requested by the auditor. The unclaimed property report is required to be completed annually to send information on unclaimed items such as old, outstanding checks on bank reconciliations to the state for resolution.

There has been turnover in key financial management services’ positions. Most of the current employees do have a reasonably good understanding of the University's financial information system (FAMIS). However, an adequate understanding and related training on the student information system (Banner), and its various reporting capabilities, is missing. A reconciliation was being performed to compare FAMIS and Banner balances; however, after further review it was determined that the comparison was actually between two reports from the same system (FAMIS). A lack of understanding of the information in the University’s key information systems increases the University’s risk of not identifying inaccurate or inappropriate transactions in a timely manner. Without timely reconciliations and clearing of outstanding items, the risk of undetected losses is significantly increased.
4. Financial Reconciliations (cont.)

Recommendation

- Provide financial management services’ staff with appropriate training on the University's student and financial information systems, account reconciliation controls, and related state and A&M System requirements to enable them to effectively and efficiently perform their job responsibilities.

- Establish monitoring procedures to ensure reconciliations are performed, reviewed, and reconciling items are cleared in a timely manner.

- Submit annual unclaimed property reports in a timely manner.

Management’s Response

Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and is taking the following actions:

Training on both the FAMIS financial system and the Banner student information system occurred this past June and July, respectively. While a good knowledge base is in place for the FAMIS system, continued training will occur in the Banner student information system. Management has made training one of their priorities (outlay of financial resources) to ensure the staff has the basic and advanced understanding and knowledge in the systems to do their jobs effectively and efficiently. Internal training will ensure personnel have the understanding for account reconciliations as well as any state or A&M System requirements. Trainings will be ongoing.

Clearing accounts will be reconciled on a monthly basis with all outstanding items cleared before they are two months old and all items cleared before year-end. The reconciliations are due to the controller within 20 days after the close of the prior month, signed off on and filed electronically. Any discrepancies will be documented and detailed as to their disposition. Target date for completion of clearing account reconciliations is January 2012.

Reconciliations between the student information system (Banner) and the financial system (FAMIS) are being handled by an accountant on a daily basis. Any discrepancy is followed up on within two business days and reconciliations are approved on a monthly basis by the controller and electronically filed. This has been implemented since April 1, 2011.

This annual procedure of filing the Unclaimed Property report was not in the senior accountant’s desk manual and not discussed with
5. Purchasing Efficiencies

Observation

There are opportunities for more efficient purchasing processes.

Improvements in the University's purchasing and accounts payable processes should be made to improve controls and increase efficiencies. Accounts payable information and process controls built into the University's financial information system (FAMIS) are not being fully utilized.

An analysis of voucher data revealed that information is not always entered into FAMIS using the appropriate screens. Some purchase order numbers are manually entered rather than using the automatic numbering functions within FAMIS. Automatic, sequential purchase order numbering is an internal control that accounts for all purchase orders entered.

Five of 50 (10%) purchase vouchers reviewed were found to have invoice numbers that did not match supporting documentation. Each vendor invoice was not entered into FAMIS as a separate voucher. Without entering each vendor invoice number, FAMIS is not able to automatically check for duplicate invoice numbers during the payment process. When vendor payments are made (which may include multiple vouchers in one payment), FAMIS automatically provides invoice numbers on the pay statement to the vendor, eliminating the need to generate the list manually.

The University has a high percentage of low dollar vouchers. Approximately 51% of vouchers are less than $500. Eighty-nine percent of vouchers are less than $2,500. Implementing a purchasing card program would provide a more efficient and less expensive method of processing these high-volume, small-dollar payments to vendors. In addition, purchasing cards would provide better purchasing controls than the local store charge accounts currently used.

Understanding and utilization of the process controls and information within FAMIS along with the use of procurement cards would provide opportunities for improved efficiencies and internal controls over the University’s purchasing processes.
5. Purchasing Efficiencies (cont.)

**Recommendation**

Provide FAMIS training to staff involved in purchasing and accounts payable processes. Consider implementing a purchasing card program to enhance efficiency and effectiveness of the accounts payable process.

**Management's Response**

*Texas A&M University – Texarkana’s administration concurs with the recommendations of the A&M System audit team and is taking the following actions:*

*The University recently (spring 2011) was able to include all operating departments in the electronic processes of FAMIS. Several departments were using a paper system that did not utilize the efficiencies and controls of the FAMIS purchasing module. Both Purchasing and Accounts Payable staff have received additional FAMIS training in June. These staff will produce and offer classes twice a year to current University personnel and train new personnel as they are hired. These actions will enable the FAMIS system to be utilized to improve controls. University training will be ongoing; however, initial training of Accounts Payable and Purchasing staff was completed June 2011.*

*The University is also pursuing the procurement card program to be used on campus. This program will help the University with its efficiencies (51% of vouchers under $500 and 89% are under $2500). The University has contacted the procurement card vendor and is on the list to begin its universal implementation. The University will pilot the program to a few departments as quality and internal control processes are being implemented and designed. Once the procedures are finalized, the program will be available to the entire University community. Projected initial implementation - March 30, 2012. University wide implementation – December 31, 2012.*

6. Records Retention

**Observation**

*Old records maintained by the University were not in compliance with the A&M System’s records retention requirements. A review of the Business Office vault found that credit card receipts from 2003 were being stored within the vault and contained customer credit card numbers. The current A&M System records retention schedule requires that billing details and cash receipts be maintained for three*
5. Purchasing Efficiencies
(cont.)

years past the fiscal year-end. Additionally, customer credit card
numbers were not being stored in compliance with Payment Card
Industry Data Security Standards (PCI DSS) which regulate the
storage of customer credit card numbers.

Recommendation

Properly dispose of financial records in accordance with the A&M
System’s record retention schedule and other external party
requirements, particularly any records containing confidential and
sensitive information.

Management’s Response

Texas A&M University – Texarkana’s administration concurs and is
taking the following actions:

Annual reminders will be sent out from the University records
retention officer and the Vice President for Finance and
Administration to all University employees about the A&M System
record retentions schedule. This will include disposition procedures
for records and documents. This will be completed by November
30, 2011.
BASIS OF REVIEW

Objective

The objective of this audit was to review the financial and management controls over the University’s financial management services’ operations to determine if resources are used efficiently and effectively; assets are safeguarded; and compliance is achieved with applicable laws, policies, regulations and rules.

Criteria

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

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

Background

Texas A&M University - Texarkana began a downward expansion program and started accepting freshmen, sophomore, and doctoral students in fall 2010. The mission of the University is to be a comprehensive regional University that provides students with academically challenging, engaging, and rewarding educational experiences through quality teaching, scholarship, student support services, co-curricular programming, research and services.
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Fourth Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY - KINGSVILLE

Review of Human Resources

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

Project #20111704
PROJECT SUMMARY

Overview

Texas A&M University – Kingsville's processes and controls over human resources do not provide reasonable assurance that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations and rules. Significant weaknesses were identified in the governance structure of the Office of Human Resources, the faculty and staff hiring processes and the completion of Employment Eligibility Verification (Form I-9) forms. Additionally, improvements need to be made in the University's employee termination and grievance processes. In recent years, the University has experienced high turnover in its human resources staff which has contributed to its difficulty in providing adequate controls over the human resources operations.

The University's human resources function is centralized with six full-time staff and one student worker to serve approximately 1,200 faculty and staff employees.

Summary of Significant Results

Governance Structure – Office of Human Resources

The University has failed to enforce accountability in complying with human resources requirements in its centralized and decentralized human resources operations due to weak human resources controls and the lack of perceived authority in the Office of Human Resources. A formal mission statement does not exist to provide direction for managing the University's human resources processes. Human Resources employees have indicated that it is difficult to enforce compliance in departments throughout the University as departments either are not aware of or choose not to adhere to human resources procedures. Additionally, while the University has
conducted several recent human resources studies and made some changes, a complete management plan has not been developed to fully address all of the recommendations made in these studies. The absence of a clear strategic vision for the University’s human resources operations has increased its risk of ineffective and inefficient processes and noncompliance with human resources related requirements.

**Hiring Processes**

The University’s rules and procedures for both the faculty and staff hiring processes are outdated and do not reflect current practices. Significant error rates were noted in our testing of many of the hiring process requirements for both faculty and staff. Hiring files did not consistently contain appropriate information to support the selection of the employee hired and demonstrate the best qualified candidate was selected in an objective and unbiased evaluation of the candidate’s knowledge, skills, education, abilities, and experience. Documentation that was lacking in the hiring files included interview questions and responses, applicant rankings or scores, reference checks, and verification of educational degrees and certifications. Weaknesses in the hiring process increases the University’s risk that the best qualified candidate for the position is not hired and that the hiring decision is not supported and well documented.

**Accuracy of Form I-9s**

Form I-9s, Employment Eligibility Verification, are not being completed accurately and timely in accordance with Department of Homeland Security instructions. Twelve of nineteen (63%) faculty and two of thirty (7%) staff Form I-9s were not accurately completed while fourteen of eighteen (78%) faculty and fifteen of thirty (50%) staff Form I-9s were not completed within the required timeline. Failure to complete the Form I-9s accurately and timely could put the University at risk for possible civil and criminal penalties levied according to the Immigration Reform and Control Act of 1986.

**Summary of Management’s Response**

*Texas A&M University – Kingsville’s executive management agrees that processes and controls over human resources must be strengthened to ensure that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations and rules. The institution is committed to initiating proactive and timely response to resolving*
these identified deficiencies and insuring the existence of a compliant human resources organization.

Scope

The review of human resources processes at Texas A&M University - Kingsville focused on the areas of hiring, employee grievances, terminations, performance evaluations, post-tenure reviews, information system access, and state-mandated training for both faculty and staff for the period September 1, 2009 through December 31, 2010. Fieldwork was conducted from February 2011 to May 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Governance Structure – Office of Human Resources

Observation

A strong governance structure has not been established in the Office of Human Resources.

There is currently a lack of clear direction for the Office of Human Resources which has resulted in weak controls and lack of accountability throughout the University regarding human resources operations. A formal mission statement does not exist to provide guidance for managing the University's human resources processes. Human Resources employees have indicated that it is difficult to enforce compliance with University departments as departments either are not aware of or choose not to adhere to human resources procedures.

While management has begun implementing certain recommendations from external consultant reviews of the University’s Office of Human Resources, including organizational processes and employee classification and compensation plans, a formal management plan has not been developed to fully address all of the recommendations from the reviews. The University has experienced turnover in key Human Resources management positions which has delayed decisions regarding implementation of consultant recommendations. The Office of Human Resources was under the direction of an Interim Director from September 2010 through July 2011 and three of the six Human Resources employees had been with the department one year or less at the time of this review.

Guidance for human resources processes is outdated and does not reflect current practices. University Rule 33.99.01.K1, Employment—Staff was last revised in January 2006 and Rule 33.99.01.K2, Employment Rule – Faculty appears to be outdated as well. The University Faculty Handbook, which contains guidance for faculty hiring, grievance, and evaluation processes has not been updated since 2004, but is currently undergoing revisions. An example of a discrepancy between University rules and current practices involves the location of faculty new hire information. University Rule 33.99.01.K2 states that “All applications, resumes and other paperwork should be returned to the Affirmative Action Office for file.” Currently, no faculty new hire information is kept in the Affirmative Action Office; instead, faculty new hire files were obtained from both the Provost’s Office and the Office of Human...
1. Governance Structure – Office of Human Resources (cont.)

Resources. The Provost Office’s involvement as a repository for documentation regarding faculty new hires is not included in either the University rule or the Faculty Handbook.

Lack of clear direction, comprehensive human resources guidance, and accountability for adherence to human resources processes creates inefficiencies in operations and increases the University’s risk that good human resources management decisions may not be made.

Recommendation

Determine the strategic vision for the University’s human resources operations. Develop a formal mission statement for the Office of Human Resources and update goals and objectives to reflect the vision and mission.

Determine which recommendations resulting from the consultant reviews are in line with the Office of Human Resources strategic vision and mission. Develop a formal management plan, including specific time lines and responsible parties, for full implementation of the recommendations which have not yet been addressed.

Update University rules, procedures, and handbooks regarding human resources processes to reflect current laws and A&M System requirements. Review this information on a regular basis to ensure guidance remains current.

Provide training to the University community regarding human resources processes and the role departments have within those processes. Notify University management when noncompliance with established human resources processes occurs.

Management’s Response

The University Office of Human Resources and Payroll is committed to the creation of a best-in-class service and resource consultant support organization. Specific activities will include:

- **Development of a strategic vision.**
- **Development of formal mission statement supported by updated goals and objectives and an organizational chart.**
- **Development of a management plan reflecting implementation of the consultant’s recommendations that is in line with this stated vision.**
1. Governance Structure – Office of Human Resources (cont.)

External commitments to achieving this best-in-class level include but are not limited to:

- Development of processes to provide current information and guidance resources for use by the organization as a whole.

- Updating of University rules, procedures, and handbooks regarding human resources processes to reflect current laws and A&M System requirements.

- Bi-annual reviews of this information will be scheduled with the Vice President of Administration and Finance to ensure guidance remains current.

- Training will be provided to the University community (Chairs Academy, Javelina Administrative Group (JAG), Deans Council, etc.) on an annual basis or sooner if the need is identified regarding human resources processes and the role departments have within those processes.

- University management (Vice President of Administration and Finance) will be notified when noncompliance with established human resources occurs.

The development of these core plans and processes is targeted for completion and implementation by no later than March 30, 2012.

2. Hiring Processes

Observation

Based on audit test work results, the University’s hiring processes for faculty and staff require significant improvement to provide reasonable assurance that qualified applicants are hired, confidential information is protected, and processes are performed efficiently and in compliance with human resources requirements. The University’s rules and procedures for both the faculty and staff hiring processes are outdated and do not reflect current practices.

Hiring files did not consistently contain appropriate information to support the selection of the employee hired and demonstrate the best qualified candidate was selected in an objective and unbiased evaluation of the candidate’s knowledge, skills, education, abilities, and experience. Significant error rates were noted in our testing of both faculty and staff new hire files. For nineteen of twenty (95%) faculty and thirty of thirty (100%) staff
2. Hiring Processes (cont.)

new hire files reviewed, interview questions, responses and ranking of candidates, such as on a hiring matrix, could not be located. Additionally, error rates of 47% and 37%, respectively for faculty and staff, were noted regarding job postings not being tracked in the University’s automated human resources system, PeopleAdmin. This system is intended to serve as the starting point for all faculty and staff new hires.

Additionally, we noted error rates of 100% (16 of 16) and 80% (24 of 30), respectively, for faculty and staff Employee Personnel Action (EPA) forms not being submitted to the Office of Human Resources by the assigned deadline. Also, evidence of reference checks could not be located for 100% of faculty files reviewed and 57% of staff files.

Other areas tested specific to faculty new hires that resulted in high error rates with University requirements included use and documentation of search committees (63% and 100%), completion of applicant tracking logs (74%), Affirmative Action Officer’s approval of job offers (75%), current curriculum vita not on file (25%), EPA salary not in agreement with appointment letter (21%), and unsuccessful candidates not notified timely (30%).

For staff new hires tested, significant error rates with University requirements were noted in the areas of lack of evidence of credential verification and background check (53% and 27%) and position descriptions not signed by either the employee or supervisor (47%).

We noted that multiple versions of new hire checklists were used and offer and appointment letter formats varied widely among new hire files tested. In addition, applications did not consistently include, or offer at all, an area to indicate veterans and/or former foster care preference. Texas Government Code Sections 657 and 672 specify circumstances in which applicants shall be given preference in hiring based on veteran or foster child status.

Additionally, a clear standard has not been set regarding the information that should be maintained within the University’s various human resources files, including the hiring file, the personnel file, and the benefits file. In nearly all of the fifty files tested, documentation contained within each of these files was inconsistent with repetitive data, including confidential information.

A&M System Regulation 33.99.01 requires that employment decisions be based on job-related factors such as education, experience, knowledge, skills, abilities, license/certification requirements, results of reference checks, and success in
2. Hiring Processes (cont.)

It was also noted that the hiring, termination, and evaluation processes are the same for full-time faculty and adjunct faculty. Adjunct faculty are given the title of ‘lecturer’, thus it is difficult to distinguish between full-time lecturers and adjunct faculty without tracing to the employee’s percent effort. In addition, adjunct faculty are typically terminated and rehired each academic year which results in extensive creation and tracking of documentation.

Recommendation

Update the University’s rules and procedures for the faculty and staff hiring processes and improve the University’s compliance. Establish a monitoring function to review for compliance with hiring related laws, policies, regulations, rules, and procedures. Notify University management when repeated noncompliance with established requirements occurs.

Standardize documentation, such as applications, new hire checklists, and appointment and offer letters, to the extent possible. Ensure documentation contains all information required by law, such as an option to disclose veteran or former foster care preference on the application.

Determine the file structure that will provide for efficient operations and protection of confidential data as it relates to files maintained and documentation kept within those files.

Determine if it is in the best interest of the University to distinguish between full-time and adjunct faculty in human resources operations. Consult with other universities regarding an efficient means of addressing the hire, termination, rehire and evaluation of adjunct faculty and implement those which best suit the University’s needs.

Management’s Response

Improvements to the University’s hiring processes will insure that the best qualified candidate for the position is hired and that the hiring...
2. Hiring Processes (cont.)

Improvements are needed in the completion of Form I-9s. Decision is well supported and documented. Specific actions include:

- The University’s rules and procedures for faculty and staff hiring processes will be updated to improve the University’s compliance and the Provost’s Office will be engaged in this development and communication.

- An associated monitoring function to review compliance will be implemented and University management (Vice President of Administration and Finance and the Provost) will be notified when repeated noncompliance with established requirements occurs.

- Development of standardized hiring documentation and processes will reflect that documentation contains all information required by law, including the option to disclose veteran or former foster care preference on the application. The University will engage the Office of General Counsel in review and approval of proposed documentation.

Cooperative initiatives with the Provost Office will provide:

- A file structure that will provide for efficient operations and protection of confidential data as it relates to files maintained and documentation kept within staff and faculty files.

- Specific issues of distinguishing between full-time faculty and adjunct faculty will also be addressed in this cooperative effort.

Realization of documentation and related personnel files insuring consistent and compliant hiring processes is targeted for completion by August 31, 2012.

3. Accuracy of Form I-9s

Observation

The University is not ensuring that Form I-9s, Employment Eligibility Verification, are completed accurately and timely in accordance with Department of Homeland Security, US Citizenship and Immigration Services’ Instructions OMB No. 1615-0047 which states that “Employers must sign and date the certification in Section 2” and “Employers must complete Section 2 by examining evidence of identity and employment eligibility within three (3) business days of the date employment begins.” Twelve of nineteen (63%) faculty and two of thirty (7%) staff Form I-9s were not properly completed while
3. Accuracy of Form I-9s (cont.)

fourteen of eighteen (78%) faculty and fifteen of thirty (50%) staff Form I-9s were not completed within the required timeline. In addition, a Form I-9 could not be located for one of twenty (5%) faculty files tested.

Form I-9s are centralized in the Office of Human Resources; however, various employees within Human Resources complete the Form I-9s and there has been no formal training provided on how to complete Form I-9s. Failure to complete the Form I-9s accurately and timely could put the University at risk for possible civil and criminal penalties levied according to the Immigration Reform and Control Act of 1986.

Recommendation

Provide training on the rules regarding the accuracy and timely completion of Form I-9s in accordance with the Department of Homeland Security, US Citizenship and Immigration Services’ Instructions OMB No. 1615-0047. Monitor the completion of Form I-9s to ensure they are completed accurately and timely.

Management’s Response

The University will ensure that Form I-9s are completed accurately and timely in accordance with Department of Homeland Security, U.S. Citizenship and Immigration Services Instructions. Specific actions to insure compliance include:

- Training of the designated HR representative will be done via online instruction.
- Communication/training with department hiring managers and/or administrators.
- Implementation of a monthly monitoring process involving a dedicated HR team to insure compliant completion and maintenance of employee Form I-9s.

An internal self-audit in March 30, 2012 will reflect 100% compliant and timely I-9 documentation.
4. Employee Termination Process

Observation

<table>
<thead>
<tr>
<th>Termination processes need improvement to ensure consistent, timely processing of access terminations and return of assets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University termination checkout list, required by University Rule 32.01.02.K1, Termination of Employment for Non-faculty Employees, was not found in eight of thirty (27%) termination files. EPA final payroll documentation was not created timely for ten of twenty-eight (36%) terminations and not created at all for two terminations. It was verified that these two employees did not receive any inappropriate payments after termination. It was also noted that active directory access was cancelled more than one day after termination for fifteen of eighteen (83%) terminations. Parking permits were not recovered from fourteen of twenty (70%) terminated employees and six of thirty (20%) terminated employees' identification cards were still active at the time of this review. Some of the above issues were attributable to departments signing checkout lists as having performed certain duties without actually obtaining assets or terminating access rights. For example, nine of fourteen (64%) parking permits which were not recovered and four of six (67%) identification cards which were not returned had departmental indication that the procedures had been performed. Without standardized processes for all employees that include verification that termination steps have been completed according to the termination checkout list, the risk is increased that terminated individuals may use University assets inappropriately or access systems without authorization.</td>
</tr>
</tbody>
</table>

Recommendation

| Ensure the termination checkout list is utilized and consistently completed before finalization of the termination process. Monitor to ensure timely cancellation of information technology access and processing of EPA documentation. Perform periodic monitoring activities to ensure departments responsible for portions of the termination process complete activities as required. |

Management’s Response

| The University Human Resources organization will ensure standardized processes to ensure termination steps have been completed and to minimize the risk that the use of University |
4. Employee Termination Process (cont.)

systems is not compromised. Specific actions include, but are not limited to:

- Revision to create a comprehensive termination checkout document that will engage all related departments (University Police, IT, etc.) to insure clear understanding of expected processes and timely separation actions.

- Monitoring will ensure timely (no later than two business days) cancellation of information technology access and processing of EPA documentation.

Documentation revision and training and implementation of a timely and compliant process will be in existence and utilization by March 30, 2012.

5. Grievance Processes

Observation

The faculty grievance process as outlined in the Faculty Handbook is outdated as the most recent revisions occurred in 2004. Staff grievance processes in place in the Office of Human Resources are brief and do not include either a grievance timeline or a reference to A&M System Regulations 08.01.01, Civil Rights Compliance or 32.01.02, Complaint and Appeal Process for Non-Faculty Employees. Absence of sufficient guidance has resulted in noncompliance with these regulations. Four of eight (50%) grievances were not filed by the employee within the established timeline, but were still accepted for review. In addition, six of eight (75%) written decisions were not submitted within fifteen days of receipt of the complaint and in six of six (100%) instances where grievance decisions were not made timely, no notation of an extension was made nor were involved parties notified of the extension.

Management indicated that acceptance of grievances and thorough investigation of the issues, whether inside or outside established timelines, is a necessary service to University employees. While this is of importance, timelines within the regulations referred to above exist to ensure grievances are submitted timely to obtain accurate facts with which to make a fair assessment. Absent these requirements the University may be viewed as failing to provide employees with fair and timely consideration of grievances.
5. Grievance Processes (cont.)

**Recommendation**

Update both faculty and staff grievance guidelines; ensure guidelines are thorough and in conformance with applicable laws, policies, and regulations.

Adhere to grievance timelines as established in A&M System Regulations 08.01.01 and 32.01.02 to the extent possible. Consult with the A&M System Office of General Counsel to determine appropriateness of accepting grievances filed outside the established timelines.

Ensure extensions necessary to fairly address grievances are documented and involved parties are notified of the extension.

**Management’s Response**

The University will ensure that grievances are submitted timely to obtain accurate facts with which to make a fair assessment. Specific actions include:

- Revision to posted grievance processes will reflect alignment and adherence to A&M System Regulation 32.01.02 for both faculty and staff employees.

- Revisions will be presented to the Office of General Counsel for appropriateness and alignment.

- Extensions necessary to fairly address grievances will be documented and involved parties will be notified of the extension.

- The University Office of Compliance will be engaged in this revision process and in the implementation of grievance responsiveness and timeliness.

Grievance process revision and implementation will be submitted to the Office of General Counsel by the end of January 30, 2012.
BASIS OF REVIEW

Objective

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

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; the Texas Administrative Code (TAC) 202 and 216; the Family Educational Rights and Privacy Act (FERPA); 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 Texas A&M University – Kingsville Office of Human Resources reports to the Vice President for Finance and Administration. Human resources functions are centrally performed and monitored by the Office of Human Resources and Office of the Provost to ensure compliance with policies, regulations, rules, and procedures.

At the time of the review, the University had a total of approximately 1200 active faculty and staff employees. The Texas A&M University – Kingsville Fiscal Year 2011 Operating Budget totaled approximately $106.4 million.
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Fourth Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY - TEXARKANA

Review of Human Resources

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

Overview

Texas A&M University – Texarkana has processes and controls in place to provide reasonable assurance that human resources operations are performed effectively and efficiently and in compliance with applicable laws, policies, regulations, and rules except for its hiring and termination processes. Significant improvements need to be made in the establishment and documentation of standard processes to be followed in the hiring of faculty and staff and in the timely completion of the University’s employee termination process requirements. Opportunities for improvement also exist in the areas of timely completion of Form I-9s and documentation of procedures for performance evaluations.

The University had over 440 faculty, staff and student workers with combined salaries, wages and benefits of approximately $14 million in fiscal year 2010.

Summary of Significant Results

Hiring Processes

The University has not established comprehensive rules and procedures to be followed and documented during the hiring process for faculty and staff positions. For the faculty and staff hiring files reviewed, 38 of 40 (95%) had incomplete documentation. Hiring file documentation that was lacking included verification of educational degrees, reference checks,
interview questions and responses, and applicant ratings or scores. Weaknesses in the University's hiring process increases the risk that the University cannot demonstrate that the best qualified candidate is hired and that its hiring decision is supported and well documented.

Terminations

The University's termination process is not being consistently followed to ensure that all requirements are completed in a timely manner when faculty and staff leave employment. Twelve of 20 terminated employees did not have access to information and charge card system removed timely. Twelve of 12 benefit eligible terminated employees did not receive insurance coverage notifications required by federal law. Limited guidance and the lack of monitoring increases the University’s risk that required steps in the termination process are not completed, thus increasing the University’s risk for unauthorized access to University’s resources and noncompliance.

Summary of Management’s Response

Texas A&M University – Texarkana’s administration is in agreement with the recommendations as set forth from the Internal Audit Department’s review of the human resources processes.

The University’s first professional Human Resources director was hired October 2009. At that time, because of the transition in personnel, the University asked the Texas A&M University System Internal Audit department to provide an evaluation and audit of the processes and procedures of our entire human resources function.

Administration is taking necessary actions to improve processes and strengthen procedures related to employee hiring, terminations, and evaluations.

Scope

The review focused on the University’s faculty and staff human resources processes for the period January 1, 2010 to December 31, 2010. Areas reviewed included hiring, state-mandated training, performance evaluations, annual reviews, terminations, and grievance processes. Fieldwork was conducted from February to April, 2011.
Comprehensive rules, procedures, and monitoring are needed for the faculty and staff hiring processes.

The University has not established comprehensive rules and procedures to be followed and documented during the hiring process for faculty and staff positions. Hiring files reviewed did not contain the appropriate information to support the selection of the employee hired and demonstrate that the best qualified candidate was selected in an objective and unbiased evaluation of the candidates’ knowledge, skills, education, abilities, and experience.

For the faculty and staff hiring files reviewed, 38 of 40 (95%) had incomplete documentation (some had multiple exceptions) as noted below:

- Thirty-six files (19 faculty, 17 staff) did not have documentation of reference checks.
- Nineteen files (13 faculty, 6 staff) did not have the support to determine if the position was advertised on the Texas Workforce Commission website as required by state law.
- Eight files (staff) did not have documentation of degree verifications or other minimum job requirement verifications.
- Six files (faculty) did not have the selection committees’ narrative and recommendation for appointment.
- Eighteen files (6 faculty, 12 staff) did not have documented interview questions and responses.
- Fifteen files (6 faculty, 9 staff) did not have documentation of the applicants’ rating or scores.
- Twelve files (staff) did not have approved exception to hiring freeze forms.
- Eight files (staff) did not contain applications for all individuals that were interviewed.
1. Hiring Process (cont.)

- Three files (staff) did not have completed authorization to hire forms.

A&M System Regulation 33.99.01 requires that employment decisions be based on job-related factors such as education, experience, knowledge, skills, abilities, license/certification preferences requirements, results of reference checks, and success in previous employment. It also requires that relevant information be retained. Although some guidance was provided, supervisors were not aware of hiring documentation requirements such as completing reference checks and degree verifications to provide corroborative evidence of the applicant’s expertise, accomplishments, and character. Properly completing the hiring process, including documenting that all hiring steps are completed, reduces the risk that supervisors will make poor hiring decisions.

The University’s application for employment form did not have an area for the applicant to indicate military service or foster child hiring preferences. Management was unaware of these preferences. Texas Government Code Sections 657 and 672 specify circumstances in which applicants shall be given preference in hiring based on veteran or foster child status.

In addition, signed offer letters were not obtained for new staff hires to document employment offer and acceptance. Offer letters, signed by both parties, provide an effective communication tool that documents both parties’ understanding and agreement to the terms and conditions of the employment offer.

Recommendation

To improve the hiring process for faculty and staff, the University should:

- Establish comprehensive rules and procedures to be followed and documented in the hiring process for both faculty and staff.

- Assign Human Resources the authority for oversight of the hiring process to ensure compliance with University hiring procedures. Monitor to ensure that procedures have been followed and that all required documentation is included in official hiring files.

- Develop and implement a process to ensure compliance with Texas Workforce Commission requirements for open faculty and staff positions.
1. Hiring Process (cont.)

- Require hiring supervisors to periodically attend training on the hiring process, including the documentation that should be completed and properly retained.
- Obtain signed offer letters for new staff employees.
- Update the University's application form to include an area for the applicant to request military service and foster child hiring preferences.

Management's Response

Texas A&M University – Texarkana's administration concurs with the recommendations of the A&M System audit team and has taken the following actions: Human Resources is developing a comprehensive Hiring Process Procedure (33.99.01.H.0.01; Employment Practices) which will be approved by the Administrative Council by September 1, 2011. This procedure incorporates the recommendations of the audit team and assigns authority of the Director of Human Resources/EEO for oversight of the hiring process. In addition, as part of this procedure, the hiring checklist has been modified to effectively capture the date the position is posted to the Texas Workforce Commission; confirmation of background check completion; confirmation of degree verification; and confirmation of selective service registration. Signed offer letters are now being obtained for new staff hires.

On July 13, 2011, the first of a series of mandated supervisor trainings took place with the review of the new hiring process procedures. Changes in the employment application adding information on veteran's status and foster child information were made and have been placed into effect. A&M University-Texarkana is currently in discussions with Texas A&M University to provide shared services in the area of applicant application and tracking through PeopleAdmin. Implementation is scheduled to begin in August 2011. This software will streamline our current manual processes as well as automatically post to the Texas Workforce Commission.

2. Termination Process

Observation

The employee termination process needs improvement to ensure all requirements are completed in a timely manner.

The University's termination process is not being consistently followed to ensure that all requirements are completed in a timely manner when faculty and staff leave employment. The following issues were noted in the testing of the termination process:
2. Termination Process (cont.)

- Twelve of 20 (60%) terminated employee files (faculty and staff) reviewed did not have access to information and charge card systems removed timely. In some cases, access was not removed until several months after termination. Exceptions noted included ten employees who did not have computer access to the active directory removed until two to 190 days after termination; two employees who did not have access to Banner, the student information system, removed until seven and 17 days, respectively; one employee who did not have access to FAMIS, the financial accounting system, removed until 18 days after termination; and two employees who did not have access to corporate charge card accounts removed until 23 and 24 days after termination, respectively. The University’s employee exit process includes notification of departments with responsibility for these information systems; however, the process does not include verification from these departments that access has been removed. Without standardized processes that include verification that exit steps have been completed, the risk is increased that terminated employees may maintain access to University systems and resources without authorization.

- Twelve of 12 (100%) benefit eligible terminated employees reviewed did not receive written Consolidation Omnibus Budget Reconciliation Act (COBRA) notifications as required by federal law. Human Resources staff had the understanding that letters were automatically generated by the payroll system. Although the payroll system automatically generated COBRA notification letters for newly hired employees, the system was not set up to automatically generate the COBRA notification letters for terminating employees. Without adequate monitoring procedures in place to ensure that required notifications are provided, the University risks possible penalties for noncompliance with federal requirements.

- Ten of 20 (50%) personnel files reviewed did not have completed termination checklists. Eight of 20 (40%) files did not have completed property clearance forms. There was no process in place to ensure that all necessary checklists were completed before the exit process was considered final. Checklists are a valuable tool for ensuring that all necessary steps in the employee exit process have been completed in order to ensure that former employees do not have inappropriate access to University resources.
Recommendation

2. Termination Process (cont.)

To improve the employee termination process the University should:

- Establish processes that ensure access to information systems and corporate charge card accounts are cancelled when employees terminate, and monitor to ensure timely cancellation.

- Ensure that written COBRA notifications are provided to terminating employees.

- Establish comprehensive checklists for exit processing and ensure they are consistently completed before finalization of the termination process.

- Provide Human Resources personnel with training on the information systems used in personnel and payroll processing and reporting, such as the Budget/Personnel/Payroll (B/P/P) System.

Management’s Response

Texas A&M University – Texarkana’s administration concurs and is taking the following actions: The termination checklist has been modified to include confirmation that all accounts and access have been terminated or transferred to a responsible party. This confirmation is delivered via email from Information Technology, Accounting or responsible departments on the day following the employees final work day. Those accounts include state travel card, information systems, account software, and email. In addition, the checklist now requires sign-off on COBRA notification letters being sent to the separated employees. On June 2nd and 3rd, 2011, the Human Resources staff attended a two-day training session at the System Offices with B/P/P. Annual training will also be scheduled to ensure they are current on system uses.

3. Form I-9 Completion

Observation

The University is not ensuring that Form I-9s, Employment Eligibility Verification, are completed accurately and within three days of employment as required by the Department of Homeland Security. Two of 40 (5%) Form I-9s reviewed were completed after the employee’s third day of employment (7 days and 15 days). Failure to complete the Form I-9s accurately and timely
3. Form I-9 Completion (cont.)

Comprehensive procedures are needed for monitoring staff evaluations.

The completion of Form I-9s puts the University at risk for possible civil and criminal penalties according to the Immigration Reform and Control Act of 1986.

**Recommendation**

Monitor the completion of Form I-9s to ensure they are completed timely. Ensure that Human Resources personnel complete training and are knowledgeable of Form I-9 completion requirements.

**Management’s Response**

To avoid putting the University at risk, Texas A&M University – Texarkana’s administration concurs and is taking the following actions: Human Resources staff has been trained on the I-9 requirements and its importance. Procedures have been implemented to monitor and ensure all required documentation is completed accurately and timely.

4. Procedures for Evaluations

**Observation**

There is a lack of comprehensive documented procedures for the Human Resources Office monitoring process for the staff annual evaluations. Without comprehensive documented procedures the risk is increased that important procedures and requirements will be bypassed, incompletely performed, or inappropriately handled. Documented procedures also assist with training and continuity should employee turnover occur.

**Recommendation**

Establish documented procedures for monitoring staff evaluations.

**Management’s Response**

Texas A&M University – Texarkana’s administration concurs and is taking the following actions: Human Resources will develop a comprehensive procedure for the evaluation process. This procedure (33.99.03.H1.01: Performance Evaluations for Non-Faculty Employees) will include reporting requirements and evaluation tracking methodology. This procedure will be written and approved by the Administrative Council by August 31, 2011 for implementation September 1, 2011.

Once the PeopleAdmin software has been upgraded for the evaluation process, the University will move the evaluation process...
4. Procedures for Evaluations (cont.)

to that module of the software. This upgrade is scheduled to be done by fall of next year with our go live in January 2013.
BASIS OF REVIEW

Objective

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

Criteria

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

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

Background

The University's Office of Human Resources reports to the Vice President for Finance and Administration. Human resources functions are centrally performed and monitored to ensure compliance with laws, policies, regulations, rules and procedures by the Office of Human Resources for staff and the Office of the Provost for faculty.

The University had approximately 440 faculty, staff and student workers with combined salaries, wages and benefits of approximately $14 million in fiscal year 2010.
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Fourth Quarter Report, Fiscal Year 2011

TEXAS A&M UNIVERSITY - COMMERCE

Review of Physical Plant Operations

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

Project #20112103
PROJECT SUMMARY

Overview

Texas A&M University - Commerce has controls and processes in place over Physical Plant operations to provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules except in the area of warehouse inventory management. Weak controls over warehouse inventory operations increase the risk of inappropriate and inefficient use of inventory resources. Other areas needing improvement include work order processing, overhead rate and cost allocations, construction project management and contract agreements, and hazard communication training.

The University's Physical Plant has 125 full-time staff and an operating budget of approximately $12 million. The department performs a wide range of services including utility operations, building maintenance, custodial services, construction management, and grounds maintenance. The controls over Physical Plant operations have strengthened and improved since our last Physical Plant audit in 2005.

Summary of Significant Results

Warehouse Inventory Management

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 maintaining updated and accurate inventory records, periodically counting and reconciling physical inventory to the inventory accounting records, and tracking excess inventory items. Weaknesses in controls over the Physical Plant’s warehouse inventory operations increase the risk for inappropriate and inefficient use of inventory resources. Completing the implementation of the automated inventory module in the Physical Plant automated work order system, creating proper segregation of duties, using a single work order system to track current...
inventory, and further centralizing inventory stock would better facilitate the implementation of strong inventory controls and enhance the efficiency and effectiveness of inventory processes.

**Summary of Management’s Response**

Facilities Services at Texas A&M University-Commerce is taking aggressive action to fully implement the recommendations of the audit report in a timely manner. Steps are being taken to:

1) Implement controls over the warehouse inventory processes,
2) Make sure that inventory records are updated through periodic checks,
3) Ensure that physical inventory is reconciled to the inventory accounting records, and
4) Track excess inventory items.

Steps will be taken to ensure proper segregation of inventory duties and, with the full implementation of the inventory module in the Facilities work order system, the work order system will accurately track current inventory. These procedures and processes are scheduled to be completed by November 30, 2011.

**Scope**

The review of financial and management controls within the University’s Physical Plant focused on the areas of warehouse inventory management, billing rates and cost allocations, construction administration, work order management, employee safety, employee certifications, and deferred maintenance processes. Transactions and activities related to these areas were reviewed primarily for the period September 1, 2009 through December 31, 2010. Fieldwork was conducted from April to May, 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Warehouse Inventory Management

Observation

Controls over warehouse inventory processes require improvement to ensure that resources are properly accounted for and used efficiently and effectively. Warehouse inventory items being maintained in stock at the Physical Plant had a total cost of over $187,000 as of the date of test work. The following conditions were noted regarding controls over this inventory:

- The quantity-on-hand did not agree to the inventory listings for seven of thirty (23%) inventory items examined from the warehouse inventory. Inventory variances were due to incorrect parts listed on the work order and unused or returned parts to the warehouse not entered back into the inventory. Also, parts and supplies that are ordered and used directly to complete a work order are not entered into the warehouse inventory.

- The custody and accounting duties over the inventory are not properly segregated. The Inventory Control Coordinator has the ability to receive, stock, and issue inventory items, update inventory records, and conduct physical inventory counts.

- Formal reconciliations are not carried out between the inventory records and the physical inventory located at multiple locations within the various Physical Plant shops.

- The Physical Plant warehouse inventories contain excess and obsolete items that are not being tracked or included on the inventory records. For instance, excess supplies and materials remaining at the end of construction projects are kept in the warehouse, but not added to the warehouse inventory which increases the risk that these assets could be misappropriated. As a result, inappropriate or inefficient use of inventory resources could go undetected. Storage and maintenance of obsolete inventory also increases warehousing costs.
1. Warehouse Inventory Management (cont.)

Lack of adequate controls over the Physical Plant’s warehouse inventory operations increases the risk for inappropriate and inefficient use of inventory resources. Current inventory procedures are in transition while the inventory module of the work order system is implemented, and the physical inventory is centralized to one warehouse.

The Committee of Sponsoring Organizations Report, Internal Control – Integrated Framework (COSO), states that equipment, inventories, securities, cash and other assets should be secured physically, and periodically counted and compared with amounts shown on control records.

**Recommendation**

To strengthen internal controls over the warehouse inventory:

- Complete the implementation of the inventory module of the work order system, centralization of the physical inventory, and documentation of the warehouse inventory procedures. Ensure that all parts and supplies used in completion of work orders are entered and tracked in the inventory module.

- To the extent possible, restructure job duties so that incompatible duties are segregated including access to physical inventory, access to inventory records, and reconciliation of the automated system to physical counts. Consider having a separate employee conduct spot checks and reconciliations.

- Conduct formal reconciliations on a periodic basis between the automated inventory system and the physical inventory. Correct identified inventory differences in a timely manner.

- Address excess and obsolete items that are not included in the inventory records.

**Management’s Response**

- 1) Implementation of inventory module will be completed.
  2) Centralization of the physical inventory will be completed.
  3) Documented warehouse procedures will be implemented.
  4) Parts and supplies will be entered and tracked via our inventory module. Effective date: November 30, 2011.

- Segregation of job duties will be achieved via the following process: 1) Inventory person will request parts and supplies, 2) Supervisor and/or management will approve request, 3) Parts
1. Warehouse Inventory Management (cont.)

and supplies to be ordered by Purchasing Agent, 4) Receiving Clerk will receive/verify upon receipt, 5) Order will go to Inventory employee for reconciliation to physical counts. Effective date: November 30, 2011.

- Periodic cycle counts will be conducted monthly and any differences between the physical count and the electronic count will be noted and reported to the inventory supervisor for correction. Supervisor will spot check automated and physical inventory quarterly. Effective date: November 30, 2011.

- Excess and obsolete items will be tracked on a separate inventory listing inside the work order software program. Effective date: November 30, 2011.

2. Work Order Processing

Observation

Errors were noted in the testing of work orders.

Improvements in the processing of Physical Plant work orders are needed. The following errors were noted in our testing of the Physical Plant work orders:

- For four of fifteen (27%) work orders, a lower labor rate was used for billing auxiliary departments than the labor rate listed on the work orders. This was due to inaccurate labor rates being used during the setup of the work order system which required adjustment during the departmental invoicing process.

- For four of fifteen (27%) work orders, the cost of a single material item was billed regardless of how many material items were used for the work order. These errors were due to changes to the worksheet formula for the calculation of material usage. This formula error was identified by the auditors and corrected after one three-month quarter.

- For fourteen of fifteen (93%) work orders, labor hours and material costs were not supported by readily available source documentation.

In addition, the work orders are currently being processed by the Work Control Office. The plan to train and delegate work order processing to shop managers has not been completed. Approximately 12,000 Physical Plant work orders are processed annually.
2. Work Order Processing

Inaccurate processing of work orders increases the University’s risk of the inefficient use of resources and billing errors.

Recommendation

Continue with internal staff training and implementation of the work order system to ensure shop managers can complete work order processing for their respective trades. Ensure completed work orders are based on established labor rates and correct material amounts. Develop written procedures for the processing of work orders. Organize work order documentation and store it in accordance with appropriate A&M System records retention requirements.

Management’s Response

- Supervisors will be trained on how to write their own work orders and complete work orders, including hours and materials, by November 30, 2011.
- A written procedure (SOP) to document established rates and correct material amounts will be developed by November 30, 2011.
- A written procedure (SOP) for processing work orders will be developed by November 30, 2011.
- A written procedure (SOP) for routing and storing of paper documentation will be developed by November 30, 2011.

3. Overhead Rate and Cost Allocations

Observation

Comprehensive written procedures have not been established for developing billing overhead rates and allocating costs at the Physical Plant. The rate set for recovery of Physical Plant overhead costs from auxiliary departments is based on an estimate instead of an analysis of actual overhead costs. Physical Plant overhead costs include administrative salaries, depreciation, office supplies, and other indirect service expenses. Administrative salaries were budgeted at approximately $888,000 in fiscal year 2011. The overhead rate was based on an estimate to avoid overcharging auxiliaries for services provided. However, there is no supporting documentation available to determine the reasonableness of the estimate. If the current overhead rate is insufficient, there is a risk that educational and general funds
3. Overhead Rate and Cost Allocations (cont.)

According to A&M System Regulation 21.01.05, Service Departments, each System component is responsible for developing procedures 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 with procedures.

Recommendation

Develop and implement comprehensive internal documentation for the overhead and equipment rate setting and cost allocation process at the Physical Plant. This documentation should include written procedures and other supporting schedules and accounting records used to establish rates and allocate costs. In addition, ensure that the requirements within the A&M System Regulation 21.01.05 ("Service Departments") are incorporated into this process and related procedures. Review and adjust rates, as necessary, on an annual basis to ensure full cost recovery.

Management’s Response

Procedures for establishment of overhead rates will be developed in conjunction with the Associate Vice President for Business and Administration. Written documentation will include procedures and accounting records as support and requirements within A&M System Regulation 21.01.05, including review and adjustment annually, will be incorporated. Effective date: November 30, 2011.

4. Construction Project Management

Observation

University managed construction projects were not administered in accordance with certain provisions of the A&M System “Uniform General and Supplementary Conditions” for construction projects. Testing was performed on five construction projects totaling $2 million initiated during the audit period. Four construction projects tested had no documented evidence that inspections took place prior to substantial completion of the work or were inspected after completion of the final punch list. Three construction projects tested had no documented evidence that the contractor had a contractor’s general warranty and guarantee to make repairs within one year from the date of substantial completion of work. In addition, project file documentation was generally unorganized.
4. Construction Project Management (cont.)

Without a formal, standardized process, the University has increased the risk of unforeseen liabilities and undetected errors.

A checklist-based procedure provides general guidelines for project management of construction projects. However, there are no operational procedures for managing project documentation and oversight. Management does not ensure all A&M System required items are included in the construction project files.

Recommendation

Develop and implement comprehensive written procedures for managing all aspects of the construction process for construction projects managed by the Physical Plant. Organize files in a central location and provide a checklist for items to be included in the completed project files.

Management’s Response

Written procedures (SOPs) will be amended to be comprehensive of all aspects of project management. A project room will be created and SOP established that will include a sample checklist for each file/folder. Effective date: November 30, 2011.

5. Safety Training

Observation

Annual refresher hazard communication training was not completed.

A review of employee training records indicated eight of fifteen (53%) Physical Plant employees did not complete the annual refresher hazard communication training. This was due to the annual refresher training not being properly assigned in the TrainTraq training information system for employees. Without periodic training, employees may not be fully prepared to handle situations involving hazardous materials. University procedures require employees assigned to specific departments to complete an annual refresher training course for hazard communication.

Recommendation

Ensure that the required annual hazard communication training is properly assigned and completed for appropriate personnel.
5. Safety Training (cont.)

Management’s Response

Problems related to the System tracking software have been addressed. On a quarterly basis one employee from each adloc will be selected and checked to insure that no further anomalies have occurred. Effective date: November 30, 2011.

6. Construction Contract Language

Observation

The contract for construction projects used between the University and its general contractors did not include clauses that provide for the right to audit and business ethics expectations. Management was not aware of the need to include such contract clauses. Absence of these direct provisions could result in the University being held liable for the contractor’s intentional or unintentional unethical behaviors including billing errors, fraudulent activities, and noncompliance with state law, A&M System policies and regulations, and contract provisions. Inclusion of right to audit and business ethics expectation clauses is considered standard business practice in construction contract provisions.

Recommendation

Include right to audit and business ethics expectations clauses in all general construction contracts.

Management’s Response

All contracts above $100,000 will include this clause as part of the contract language. Management may include this clause in lesser projects as they deem necessary. Effective date: November 30, 2011.
BASIS OF REVIEW

Objective

The objective of the audit was to review and assess the 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 rules.

Criteria

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

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

Background

The Physical Plant at Texas A&M University – Commerce is comprised of approximately 125 full-time positions that report to the Office of Vice President for Business and Administration through the Executive Director of Facilities Management and Support Services. The mission of the Physical Plant is to provide the students, faculty, staff, and visitors of the campus a safe, healthy, attractive, student-centered environment that is conducive to a positive learning experience. The Physical Plant is divided into ten shops including Carpentry, Custodial, Electric/Utility, Fleet, Grounds Maintenance, Heating/Air Conditioning/Ventilation, Housing Maintenance, Moving, Paint, and Plumbing. These functional divisions perform a wide range of services to the University including building maintenance, grounds maintenance, custodial services, transportation services, locksmith, and construction administration. In fiscal year 2010, the
annual operating budget was approximately $11.7 million. The Physical Plant is responsible for maintaining approximately 2.26 million square feet of building space and approximately 1900 acres.

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The Texas A&M University System Internal Audit Department

Fourth Quarter Report, Fiscal Year 2011

TEXAS AGRILIFE RESEARCH AND TEXAS AGRILIFE EXTENSION SERVICE

Review of Financial Management Services

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

Project #2011A602
PROJECT SUMMARY

Overall, the controls established over the financial management services’ operations at Texas AgriLife Research and the Texas AgriLife Extension Service are effective in providing reasonable assurance that resources are used efficiently and effectively; assets are safeguarded; and compliance is achieved with applicable laws, policies, regulations and rules except for controls over working funds. Weaknesses in monitoring and controls over working funds resulted in discrepancies of fund amounts, reimbursement coding errors for federal income tax reporting, signature cards not on file, and inactive accounts. Opportunities for improvement were also noted in the areas of accounts receivable collections, annual financial reporting, and consistency in financial processes.

AgriLife Research and AgriLife Extension have combined administrative functions, including fiscal office processes. Each agency maintains separate bank accounts and separate accounting records, but business processing is managed as one office.

Summary of Significant Results

Working Funds

Weaknesses were noted in the monitoring and controls over approximately $70,000 in working funds held by AgriLife Extension and AgriLife Research. Discrepancies were noted in the amount of funds recorded in the financial records and the amount of funds actually on hand. Monthly reconciliations were not received timely for all accounts resulting in uncorrected errors. Other weaknesses included payments for day laborers not being recorded correctly as required for 1099 reporting to the Internal Revenue Service and not having checking account signatures on file. Activity of the working funds has not been assessed periodically to reduce or eliminate unnecessary accounts. Consistent and timely monitoring controls over working funds reduce the risk of noncompliance with applicable laws, policies
and regulations, and loss due to undetected errors or misappropriations.

Summary of Management’s Response

Based on the auditors’ recommendations we are reviewing current procedures and policies and will make appropriate modifications as noted in each section.

Scope

The review of financial management services’ processes focused on reconciliations, accounts payable, accounts receivable, purchasing, revenue management, records retention, information technology, working funds and property management for the period January 1, 2010 to December 31, 2010. Fieldwork was conducted from March to May, 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Working Funds

Observation

| Improvements are needed in the controls over and monitoring of working funds. |
| Weaknesses in monitoring and controls over working funds resulted in discrepancies of fund amounts, reimbursement coding errors for federal income tax reporting, signature cards not on file, and inactive accounts. Working funds consist of three petty cash funds totaling $1,550 and 18 checking accounts totaling $67,800 maintained at the regional centers throughout the state. The following items were noted during a review of the working fund checking accounts for a seven-month period: |
| • Two working funds had a discrepancy between the amount recorded on the financial records and the amount maintained by the fund custodian. The difference is attributable to a $300 discrepancy in the AgriLife fiscal office petty cash fund and a $4,000 discrepancy in one of the regional checking accounts. |
| • Two working funds had balances and activity levels that were not reasonable for the authorized fund amounts. One fund with an authorized balance of $3,000 had monthly balances of $10,000 to $32,000 for several months. Another fund with an authorized amount of $3,500 had account balances that were never more than $2,250 over a seven-month period. |
| • Reimbursement payments for contract day laborers were not consistently recorded correctly to be included in required 1099 reporting to the Internal Revenue Service. |
| • Eleven working funds did not have checking account signature cards on file and approved by management. |
| • Four working funds had no activity during the seven-month period reviewed. These four funds totaled $11,800. |

The working funds were established prior to the use of purchasing cards. The necessity of these funds after implementation of the purchasing card program has not been reviewed. Although monitoring procedures have been established, they are not consistently followed. Without timely and consistent monitoring...
1. Working Funds (cont.)

Current collection procedures are not in compliance with A&M System regulations. Procedures the risk of undetected errors or misappropriation of funds is increased.

Recommendation

Review activity of working funds and eliminate those that are no longer necessary. Enhance monitoring procedures to ensure timely and consistent review of working fund balances and activities. Utilize other methods of payments for vendors and employee reimbursements when possible.

Management’s Response

A review of all working funds is currently in process. This review will consider the type of expenditures being made from each fund as well as the volume of transactions and the possibility of using alternative methods of payment. In addition, agency policies are being revised to establish more stringent monitoring procedures and to encourage the use of purchasing cards. A process is being established for closing unnecessary working fund accounts. Copies of current signature cards for all accounts are being obtained. These changes should be in place by December 31, 2011.

2. Accounts Receivable Collection Procedures

Observation

The agencies’ collection procedures are not in agreement with A&M System Regulation 21.01.04, Extension of Credit. Accounts receivable collection procedures do not provide guidance on reasonable tolerance thresholds to determine when delinquent accounts should be referred for collections and when to use the state warrant hold process. A&M System regulations and the Texas Administrative Code require that the State Comptroller’s warrant hold process be used when debts are determined to be delinquent. Accounts receivable accounts greater than 365 days past due totaled approximately $57,000 in April 2011.

Recommendation

Establish procedures for collection efforts in agreement with A&M System Regulation 21.01.04.

Management’s Response

Agency policies are being modified for compliance with A&M System Regulation 21.01.04, Extension of Credit. This will address
Corrections are needed in recording activity for fleet operations to ensure accurate financial reporting.

3. Annual Financial Report

Observation

AgriLife Extension reported rental and lease expenses as a negative $723,830 on the fiscal year 2010 Annual Financial Report schedule IV-1, NACUBO Function to Natural Classification Matrix. Fleet activity was not recorded as a designated service center and costs were moved between multiple accounts and recorded as negative expenses instead of revenues. During the annual financial reporting process AgriLife Extension was advised that the inconsistent reporting methodology for fleet activity was impacting recording of this activity on the Agency’s annual financial report. Inappropriate recording of this activity results in inaccurate financial information in the Agency’s Annual Financial Report.

Recommendation

Establish appropriate accounting transactions to record fleet operations for accurate financial statement reporting.

Management’s Response

Texas AgriLife Extension recognizes the reporting impact and is in the process of establishing a designated services center for fleet operations beginning in fiscal year 2012.

4. Consistency of Processing

Observation

Some of the financial processes for AgriLife Research and AgriLife Extension are not the same although financial processes for both agencies have been combined and are performed by Texas A&M AgriLife Administrative Services. Expenditure processing (vouchers, purchasing cards) is generally performed in the same way for both agencies. However, scholarship payments are not consistently processed through the Administrative Support Services Disbursements Office and routed through the appropriate...
4. Consistency of Processing

university financial aid office. Revenue processes at each agency are different – AgriLife Extension has centralized revenue processes, while AgriLife Research’s revenue processes are decentralized. In addition, AgriLife Research and AgriLife Extension did not establish their Financial Accounting Management Information System chart of accounts in the same way. Accounts and support accounts are used in different ways which results in processing transactions and reconciliations differently depending upon the type of transactions and accounts involved. More consistent procedures and account structures between the two agencies would provide more efficiency in processing and employee training.

Recommendation

Review financial processes and streamline and consolidate for more consistent account structure and efficient processing. Ensure scholarship payments are consistently processed through the appropriate university financial aid office.

Management’s Response

We acknowledge expenditure processes are generally more similar and that revenue processes are different between the two agencies. The mission and scope of the agencies impact these processes. However, a review of current financial processes will be made to determine if greater efficiencies can be achieved and if more consistency between agency policies and procedures is possible. All units have been reminded of the requirement that scholarship payments be made through the Student Financial Aid Office at Texas A&M University. In addition we will coordinate with that Office and implement procedures to help ensure these payments are consistently processed by the agencies. This process should be completed by December 31, 2011.
BASIS OF REVIEW

Objective

The objective of this audit was to review the financial and management controls over the agencies’ 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 rules.

Criteria

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

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

Background

AgriLife Research and AgriLife Extension are headquartered in College Station, Texas and have offices throughout the state providing research and education in agriculture, natural resources, food, and life sciences. Financial management services are provided by Texas A&M AgriLife Services which is comprised of AgriLife Contracts and Grants, AgriLife Fiscal, AgriLife Human Resources and AgriLife Support Services. These offices support the College of Agriculture and Life Sciences, Texas AgriLife Research, Texas AgriLife Extension Service, and the Texas Veterinary Medical Diagnostic Laboratory.
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TEXAS A&M UNIVERSITY – CENTRAL TEXAS

Review of Management Control Processes

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

Overview

Overall, the management control processes at Texas A&M University – Central Texas provide reasonable assurance that resources are being used in compliance with applicable laws, policies, regulations, and rules. However, opportunities to improve operational efficiencies were identified that could help the University meet the challenges of effectively managing future enrollment growth and the increasingly complex operating environment that will accompany this growth. Decisions regarding whether the University’s student information system should be managed internally or outsourced must be addressed and action plans established. While significant error rates in most review areas were not noted, implementation of additional information technology procedures or systems, such as electronic routing of purchase documents and academic management tools, would allow for enhanced controls as well as greater efficiency in operations.

Summary of Management’s Response

The management of the University agrees with the findings of the System Internal Audit Department related to their review of the University’s management control processes. The implementation of the recommendations will help to ensure compliance with state laws, A&M System regulations, and University procedures as well as enhance the integrity and effectiveness of our operations. Detailed plans for implementing the review recommendations are identified following the discussion of each notable area and all are scheduled to be implemented by the end of the fourth quarter of fiscal year 2012.

Scope

The review of management control processes focused on the areas of rule and procedure development, enrollment, class size monitoring, faculty work load, and scholarships. Procurement cards, deposits, reconciliations, contracts, cashiering, vouchers
and payroll were also reviewed. Activity was reviewed for the period of December 1, 2009 through November 30, 2010. Fieldwork was conducted from February to April 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Information Technology Plan

Observation

A management plan for improving efficiencies in operations through information technology (IT) processes and systems at the University has not been developed. The University has limited IT staff, physical space, and security measures for the establishment of information systems that either will be necessary for continued growth or would allow for greater controls and efficiency in operations. The University is able to rely on their parent institution, Tarleton State University, for certain systems such as the student information system and the faculty credential database. As the University works towards achieving their own accreditation through the Southern Association of Colleges and Schools (SACS), management should establish a plan for operating as an independent university.

Many processes are also being performed manually, which is time consuming and prone to human error. Examples of manual operations include routing of purchase documents, contract administration management, scholarship management, faculty workload reporting, and entry of student applications into the student information system. As transaction volume increases, manual operations will increase the risk of errors and inefficiencies associated with these areas.

Management is aware that development of information systems, particularly the student information system, is a priority; however, action steps to address these concerns have not been identified.

The Committee of Sponsoring Organizations (COSO), recognized for providing guidance over critical aspects of organizations including internal controls, indicates that information processing controls for IT systems are established, in part, to check the accuracy, completeness, and authorization of transactions. These controls may not be as stringent in manual operations.

Recommendation

Develop a management plan with specific goals, timelines, and responsible parties for the purchase, development, and
1. Information Technology Plan (cont.)

implementation of IT systems to allow for enhanced controls and efficiencies in operations. Give priority to implementation of the student information system as it is necessary for the majority of student operations.

Consider use of outsourced computing services, such as cloud computing, as an option to developing an internal IT function for certain IT systems, particularly the student information system.

Management’s Response

Texas A&M University – Central Texas management has given the responsibility of developing an IT management plan to the Chief Information Officer (CIO) hired in fiscal year 2011. A completion date is planned for the fourth quarter of fiscal year 2012.

The University will add two additional IT staff by the end of the second quarter of fiscal year 2012. Space is very limited for IT operations in its current location. The department will have a much larger space in the new building being built on the University campus. The building is scheduled for completion in spring 2012.

Plans for automating current manual operations are underway. The routing of purchase documents, human resources, and payroll documents is scheduled to begin in the first quarter of fiscal year 2012 and to be completed by the end of the second quarter of fiscal year 2012. An access database has been created to manage contract administration. Software has been purchased which will assist the Financial Aid department in managing scholarships. The program will be implemented and go live during the first quarter of fiscal year 2012. Student applications continue to be entered manually into the student information system. IT has been working with the Registrar and Tarleton to explore possible remedies to the situation and hopes to have a solution by the last quarter of fiscal year 2012.

The student information system purchase timeline should be finalized no later than the second quarter of fiscal year 2012. Factors affecting the timeline are the University’s SACS accreditation process, US Department of Education’s authorization to proceed with the University’s financial aid application, collaboration with other System universities and peers, as well as budgetary and staffing constraints.

A contract for a learning management system has been signed and the program should be in production by the end of the second quarter fiscal year 2012. This system will be hosted by the learning management system company in a cost saving measure.
1. Information Technology Plan (cont.)

The University is currently contracting with TAMU for space on their servers to manage their email system, web server, content management system (in testing mode), and domain name service. Additional cloud computing opportunities for the learning management system and alumni software will be implemented in the first quarter of fiscal year 2012.

2. Management Oversight Functions

Observation

The University has not developed an enterprise risk management process nor is an academic master plan in place. Several management areas, such as the Purchasing and Human Resources Departments, are thinly staffed. In addition, the University currently does not have a dedicated compliance officer to help ensure adherence to laws, policies, regulations, and rules. Management was not aware that A&M System Policy 03.01, System Mission, Vision, Core Values, and Strategic Planning requires development of an enterprise risk management process. The University is awaiting the hire of a provost to develop the academic master plan which serves, in part, to address the Texas A&M University System Core Values listed in System Policy 03.01. Without these functions in place the University may not be able to fully recognize or support its academic vision. In addition, risks that could impede achievement of goals and objectives may not be identified. Completion of the academic master plan will also be necessary in preparing for the upcoming SACS accreditation application. The University has been able to meet operational demands to date with current staff levels and is aware staff expansion will be necessary as additional growth is incurred.

Recommendation

To enhance management oversight functions the University should:

- Develop a university-wide enterprise risk management process. Reassess and update the process on a regular basis.

- Develop a University academic master plan. Reassess and update the plan on a regular basis.

- Consider hiring a dedicated compliance officer to assist the University in meeting compliance requirements.
Six rules required by the A&M System policies and regulations have not been developed.

The University has not developed all rules required by A&M System policies and regulations. Currently, six of seventeen (35%) required rules are not developed, even in draft format. Many approved rules are available on the University’s website and several draft rules are in the review process with the Texas A&M System Office of General Counsel. Management was not aware of several A&M System required rules.

Forty-one A&M System policies and regulations either require a procedure or suggest a rule or procedure be in place to enhance controls. While many of these items are in draft format others have not yet been addressed.

Sufficient guidance may not be available for day-to-day operations if rules and procedures are not in place resulting in an increased risk of inappropriate or inefficient use of resources.
Recommendation

3. University Rules (cont.)

Processes which ensure security of mission-critical data could be enhanced.

Complete the development of rules and procedures necessary to provide sufficient guidance for daily operations. Ensure that the remaining six rules currently required by A&M System policies and regulations are developed and approved.

Management’s Response

All departments or divisions responsible for the development of University rules/procedures were contacted during summer 2011 to determine the status of development. All six required rules/procedures are to be developed and ready for submission online by the end of the first quarter of fiscal year 2012.

4. Information Technology Controls

Observation

The University’s Information Technology Department has not developed an internal procedures manual. In addition, server backups are not regularly stored offsite, a Disaster Recovery Plan specific to the University has not been developed, and approximately one-half of the University’s laptop computers are not encrypted. Without a current procedures manual, new and existing employees may not have necessary guidance to perform responsibilities in adherence with requirements established by the Texas Administrative Code (TAC) 202, the A&M System, and the University. TAC 202 includes requirements that institutions of higher education should maintain a written disaster recovery plan, store backups of mission-critical information in secure offsite areas, and adhere to encryption requirements based on the institution’s risk management decisions. Not adhering to these requirements increases the risk that confidential and mission-critical data will not be appropriately secured.

IT management asserted that, given the growth of the University, the first priority is to ensure operations continue smoothly and that items such as those noted above will be addressed as time allows. The University’s information technology operations are currently reviewed as part of the Tarleton State University’s Information Security Awareness, Assessment, and Compliance (ISAAC) system and the University is still incorporated in the Tarleton State University’s disaster recovery plan. The University has recently hired a Chief Information Officer to oversee its information technology operations.
Recommendation

4. Information Technology Controls (cont.)

Several instances of noncompliance with the University’s Procurement Card User Guidelines were noted.

Observation

Differences between the University’s Procurement Card User Guidelines and its Purchasing Standard Administrative Procedure (SAP) have resulted in conflicting requirements for procurement card users. Multiple transaction log formats are in use and not all meet the standard log requirements. Audit exceptions noted with Procurement Card User Guidelines include the following:

- Seven of twenty (35%) logs reviewed did not have itemized receipts supporting each purchase.

- Six of twenty (30%) logs did not have supervisory review; the cards associated with the logs were held by department heads that typically perform the supervisory review.

Management’s Response

A plan has been developed to create an IT department procedures manual with completion by the second quarter of fiscal year 2012.

New laptops capable of encryption are being encrypted as acquired and existing laptops that require encryption are being brought in. The encryption project is projected to be completed by the end of the second quarter of fiscal year 2012.

Tape backups are transported to Tarleton every week. A disaster recovery plan is in process. Equipment has been purchased for disaster recovery both on and off site. Implementation of the plan will begin with the occupancy of the server room at the new campus as well as University equipment at a remote site in Stephenville. The system and plan will be completed by the fourth quarter of fiscal year 2012.

5. Procurement Cards

Management Response

Develop a procedures manual for the University’s IT processes and update the manual regularly.

Establish procedures for the storage of server backups at an offsite location. Begin development of a disaster recovery plan specific to the University and complete installation of encryption software on the University’s laptop computers.
5. Procurement Cards (cont.)

- Eight of eight (100%) logs reviewed where someone other than the cardholder used the card did not have documentation showing the card had been ‘checked-out’.

- Two of eight (25%) logs reviewed where someone other than the cardholder used the card did not sign the purchase receipt as required by cardholder guidelines.

- Four of six (67%) logs reviewed where IT purchases were made did not have evidence of IT Department approval for the computer-related purchases.

- Two of six (33%) logs reviewed which included food purchases did not include the Food Purchase Form supporting documentation.

- Two of six (33%) logs reviewed, which appropriately included Food Purchase Forms, did not have cardholder signature on the forms.

Management was not aware of differences between the procurement card guidelines and purchasing procedures. Although procurement card audits are performed by the Purchasing Department, the level of review is not sufficient to identify specific violations of procurement card requirements. Inadequate knowledge of or adherence to procurement card guidelines could result in undetected errors and potential fraud. During the audit period there were twenty-four cardholders with total card activity of approximately $656,000.

**Recommendation**

- Align procurement card requirements between the Procurement Card User Guidelines and the SAP.

- Develop one procurement card log to be used by all University procurement card holders.

- Enhance the Purchasing Department procurement card audit process to test for specific requirements established by the Procurement Card User Guidelines and Purchasing SAP.

**Management’s Response**

*Procurement card procedures were reviewed and updated to ensure the alignment between the procedures and the SAP.*
A formal small class size monitoring process is not in place.

A formal monitoring function regarding academic class size is not in place. While the University does adhere to a consistent definition of a small class size, written procedures, which would include identification of small classes, employees who should be involved in determining if the class should be held, acceptable justifications for continuing to hold the class, and a timeline for these activities have not been established. In addition, a justification form which supports the continuation of a small class is not used. Justifications are primarily verbal or in email format.

While management is aware a formal class size monitoring function needs to be established, operational demands have not allowed time to proceed. Absence of this function increases the risk that courses not meeting minimum enrollment requirements may continue to be held without sufficient justification. This could result in an inefficient use of resources. In addition, a lack of written procedures inhibits the ability of employees fulfilling their responsibilities in a consistent manner. Monitoring activities help ensure compliance is achieved with established processes and controls.

Recommendation

Develop and implement a formal monitoring process to identify and analyze small classes prior to the start of the semester and determine whether the courses should be continued or cancelled.

Develop and require the use of a justification form to support continuation of a course which does not meet minimum class size requirements.

Management’s Response

In the third quarter of fiscal year 2011, the process to monitor class size was formalized. Low enrollment procedures, including routing
6. Class Size Monitoring  
(cont.)

A comprehensive contract tracking system is not in place. The forms to support the process were also developed. Available since the third quarter of fiscal year 2011 and effective for summer term 2011, the University posted the Procedures for Low Enrollment, the Cross Listed and Bracketed Course Approval and the Small Class Approval Form on the Forms and Procedures page of the Provost's website.

All coordinators and directors were instructed on the procedures and use of the forms. The forms were developed in collaboration with Enrollment Management so that all information required by the Provost, Course Scheduler and Registrar would be available. Procedures were implemented during the fourth quarter of fiscal year 2011.

7. Contract Administration

Observation

The University’s procedures manual regarding contract administration is not complete and a formal contract tracking process is not in place to clearly identify when a contract is received, routed, and approved. In addition, a contract routing form, which provides clear direction on appropriate routing of contracts, was not found in all contract files. It was also noted that the University’s contract administration procedures and delegation of authority had not been submitted to the A&M System Office of Budgets and Accounting (SOBA) as required by Texas A&M System Regulation 25.07.01, Contract Administration Procedures and Delegations.

Management was not aware of the procedure and delegation submission requirement to SOBA and completion of a procedures manual has not been set as a priority. Although no exceptions were noted regarding contract approvals, development of the contract tracking log and required use of the routing form will further reduce risks associated with contract management. Without a strong monitoring system, contracts may be negotiated without proper administrative approval, contract terms may not be adhered to, and undue liability could be placed on the University.

Recommendation

Submit the University’s contract administration procedures and delegation of authority to SOBA as required by A&M System Regulation 25.07.01.
Complete the contract administration procedures manual and update the manual regularly.

Develop a formal contract tracking process, including required use of a routing form, which identifies when contracts are received, routed, and approved. Identify the funding source and contract value on the log to expedite the Legislative Budget Board reporting process.

Management’s Response

Texas A&M University – Central Texas submitted the Delegation of Authority to SOBA on March 16, 2011 for review. No response has been received as of July 29, 2011. Due to changes in the organizational structure of the University, the Delegation of Authority was updated and submitted to SOBA on August 8, 2011. Contract administration procedures are in the process of being developed and will be completed by the fourth quarter of fiscal year 2011.

A Contract Administration website was created during the fourth quarter of fiscal year 2011. The website contains a flowchart that was developed to show the steps involved in the contract process. The flowchart also follows the Contract or Agreement Approval Transmittal Form which is available on the website as well. The form contains all information necessary for a contract. A Contract Review Checklist has been created and placed on the website. The checklist breaks down responsibilities of various parties involved in the contract process. Due to the small number of existing contracts, University management has decided a dedicated contract administration software is not cost effective at this time. An Access database has been created which can generate reports needed to track contract renewal dates.
BASIS OF REVIEW

Objective

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

Criteria

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

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

Background

Texas A&M University – Central Texas was established as a stand-alone university in 2009 and had a fiscal year 2010 operating budget of approximately $22.7 million. The University currently employs 113 faculty members and reported fall 2010 enrollment numbers of 2,317 students. Texas A&M University – Central Texas is an upper-level institution.
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WEST TEXAS A&M UNIVERSITY

Review of Student Medical Services and Student Counseling Services

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

Overview

Overall, West Texas A&M University has controls in place in the departments of Student Medical Services and Student Counseling Services to provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, rules and procedures. Opportunities for improvement were noted in the areas of business operations, pharmacy operations, treatment of non-students and employee confidentiality statements.

Student Medical Services has eight full-time employees, including a board certified family physician and four registered nurses. Student Counseling Services has five full-time counselors and shares an Administrative Assistant and Director with other student service operations.

Summary of Management’s Response

The departments of Student Medical Services and Student Counseling Services will complete all necessary corrective actions prior to November 1, 2011.

Scope

The review of Student Medical Services and Student Counseling Services focused on business operations including billings, accounts receivables, cash handling, working funds, and interdepartmental requisitions. Pharmacy operations, security and confidentiality of medical records and information, professional credentials, and compliance with bacterial meningitis immunization state laws were also reviewed. The audit period reviewed was from April 1, 2010 through March 31, 2011 and fieldwork was conducted in May 2011.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Student Medical Services’ Accounts Receivables

Observation

Accounts receivable management processes do not ensure compliance with state and A&M System requirements. Student Medical Services was not able to provide evidence of the approved authority to extend credit to customers nor is a monthly aged receivables report prepared, both of which are required by A&M System Regulation 21.01.04, Extension of Credit. As of audit test work, Student Medical Services had outstanding receivables of approximately $7,500 of which 77% ($5,780) was aged 120 days or greater, the oldest dating back to 1989.

Academic holds were not applied as required by Student Medical Services’ procedures to eight of thirty (27%) overdue accounts reviewed.

Demand letters for overdue accounts did not adhere to requirements in Texas Administrative Code (TAC) Rule 59.2 Collection Process: Uniform Guidelines and Referral of Delinquent Collections and A&M System Regulation 21.01.04. TAC states that no more than two demand letters should be transmitted to debtors with the first letter sent no more than thirty days after the obligation has become delinquent and the second sent thirty to sixty days after the first demand letter. Demand letters issued were greater in number than allowed ranging from three to seventeen requests and were not consistently sent in accordance with established timelines.

Student Medical Services’ procedures state that accounts greater than ninety days old and with a balance of $20 or more should be submitted to an outside collection agency. Thirteen of seventy-four (18%) accounts which did not meet the collection’s criteria were identified in the Student Medical Services’ records as having been turned over to the collection agency. A listing of outstanding receivables held was provided by the collection agency; it was noted none of the thirteen items were on the collection agency listing. This indicates documentation errors exist in the Student Medical Services’ records. In addition, of the 118 accounts which did meet collection criteria, fifty-seven (48%) were not submitted to collections.
1. Student Medical Services’ Accounts Receivable (cont.)

The Student Medical Services’ accounts receivable processes currently in place are not sufficient and employees have not been fully trained to adhere to established requirements. Inadequate controls over the accounts receivable process increases the risk of mismanagement of outstanding debt and improper collection efforts.

**Recommendation**

Update Student Medical Services’ accounts receivable procedures to reflect requirements as listed in TAC and A&M System Regulation 21.01.04. Train Student Medical Services’ staff involved in the receivables process on applicable laws, regulations, rules, and procedures to ensure that all accounts receivables are managed in compliance with laws and System requirements.

**Management’s Response**

The department of Student Medical Services will comply with University and System policy regarding the extension of credit. Prior to November 1, 2011, the department will review the process for writing off aged receivables and will strengthen procedures to ensure that academic restrictions are placed in a timely manner. Student Medical Services was unaware of the procedure related to demand letters, but will make internal adjustments in order to comply prior to November 1, 2011. The collection process will also be reviewed prior to November 1, 2011 and all documentation will accurately reflect collection status.

2. Student Medical Services’ Reconciliation Processes

**Observation**

Student Medical Services does not perform reconciliations of departmental accounts between information systems being used.

Student Medical Services has not implemented an account reconciliation process to ensure that transactions posted by the University Business Office are accurate and complete. In addition, reconciliations are not performed to verify financial information recorded in the electronic medical records system, Point and Click, agrees to Student Medical Services’ accounts in the University accounting system, Colleague. It was noted that revenues posted in Colleague were approximately $1,000 greater than that recorded in Point and Click. Because Student Medical Services does not perform reconciliations between Colleague and Point and Click, the difference had not been investigated as of audit test work. A subsequent review resulted in resolution of the differences within approximately $20.
2. Student Medical Services’ Reconciliation Processes (cont.)

A&M System Regulation 21.01.01, Financial Accounting and Reporting, states that statements showing transactions recorded in each account must be prepared monthly by the business office and forwarded to each account administrator who is responsible for comparing records of his/her office to those of the business office and promptly reporting any differences to the business office. Student Medical Services’ management was not aware of this requirement. Without timely reconciliations, the risk of undetected losses and discrepancies is increased.

Recommendation

Establish a formal reconciliation process, including proper reviews and timely clearance of outstanding items, to verify financial information posted in the University accounting system is accurate and complete as well as to ensure financial information agrees between information systems being used.

Management’s Response

Prior to November 1, 2011, Student Medical Services will establish a formal monthly reconciliation process.

3. Student Medical Services’ Pharmacy Operations

Observation

Controls over the Student Medical Services’ Class D pharmacy operations are not sufficient to ensure drugs are managed appropriately. An internal inventory of medications, including immunizations, is not performed. Three of fifteen (20%) drugs reviewed in the dispensing cabinet, which are available to fill prescriptions, were outdated by approximately two to three months. A Class D pharmacy includes medications such as anti-infective drugs, vitamins, vaccines, as well as non-prescription medications.

The contract between the University and the pharmacist-in-charge requires documented monthly onsite visits and sign off on all pre-packaged, pre-labeled medications. Five of twelve (42%) pharmacist reports reviewed, which are to be completed during the monthly onsite visit, were conducted via telephone, which violates contract requirements. Sign off dates for the review of pre-packaged, pre-labeled medications were not consistent with the pharmacist report dates.
Management had not realized a need for a regular internal inventory process regarding medications as misuse had not been identified. A review of medication expiration dates is not currently a part of pharmacy operations. The pharmacist considered contact via telephone sufficient to address responsibilities regarding pharmaceutical operations.

According to Texas Administrative Code Rule 291.92 Personnel, the pharmacist-in-charge shall have, at a minimum, the responsibility for the maintenance of records of all transactions of the pharmacy as may be required by applicable law and as may be necessary to maintain accurate control over and accountability for all drugs and/or devices.

Adequately maintaining an inventory of pharmacy drugs, including immunizations, minimizes the risk of medications being stolen, misused, or dispensed after expiration.

Recommendation

Implement a formal inventory process for medications, including immunizations, maintained in the Student Medical Services’ pharmacy to ensure all items are accounted for.

Develop procedures to identify expired medications and dispose of expired items appropriately.

Ensure that the pharmacist’s services are delivered as required by the contract.

Management’s Response

Prior to November 1, 2011, pharmacy procedures will be reviewed and revised as needed to meet all requirements and state laws. The department will ensure proper oversight by the supervising pharmacist in accordance with the contract for services. Procedures are in place to ensure that all expired medications are identified and disposed of properly.

4. Student Medical Services’ Treatment of Non-Students

Observation

Non-students are treated at Student Medical Services.

Student Medical Services’ management indicated family members of employees are treated at the medical services facility with treatment typically not recorded in the electronic medical records system. Due to lack of documentation it could not be determined
4. Student Medical Services’ Treatment of Non-Students (cont.)

how many of these services occurred nor how these services are paid for. We did note during testing of the Student Medical Services’ billing process one charge was identified for services provided to a non-student. Further review of all electronic medical records, in place since 2008, revealed one additional service was provided to a non-student. Both services totaled approximately $210 and were paid in full.

The Student Medical Services’ website specifically states “Student Medical Services provides high quality, confidential, holistic health care services to our diverse student population while minimizing costs. Dependents and/or spouses of enrolled students are not eligible for services unless enrolled as a student. Faculty and staff of the University are not eligible for services.”

Providing services to non-students is outside the mission of the department. In addition, student health fees paid by each student who attends courses on the University campus could be funding or subsidizing the services provided to non-student patients.

Recommendation

Determine and document under what circumstances non-students may be treated at the Student Medical Services’ facility. Ensure treatment of non-students is limited to what is determined acceptable. Ensure that student paid health fees are not used to fund or subsidize non-student services.

Ensure medical records for all patients, whether students or non-students, are maintained in the electronic patient records system with an accurate description of treatment provided.

Management’s Response

Prior to November 1, 2011, Student Medical Services will review and document the various ways in which non-students are served. All patient medical records for both student and non-students will be maintained in the electronic patient records system. It is the department’s desire to “treat” only students, but to “serve” the entire University community. In doing so, the department will continue to make sure that student paid health fees are used appropriately.
5. Student Counseling Services’ Confidentiality Statements

Observation

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<th>Student Counseling Services’ employees had not signed confidentiality statements within thirty days of hire.</th>
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Nine of fifteen (60%) Student Counseling Services’ employees had not signed confidentiality statements within thirty days of hire in accordance with departmental procedures. Six of nine employees identified were full-time employees. All identified, with the exception of two student workers whose only responsibility is to answer phone calls, had signed confidentiality statements by the end of test work.

Standard business practices indicate that employees with access to sensitive information, such as counseling documentation, should sign a confidentiality statement within 30 days of hire and annually thereafter. Annual re-signing of the confidentiality statement serves as a reminder to employees of the confidential nature of information and records being managed.

Recommendation

Ensure Student Counseling Services’ employees, including all student workers, sign confidentiality statements within thirty days of hire and annually thereafter.

Management’s Response

Confidentiality statements were obtained on all employees upon hire. Student Counseling Services experienced a change in clinical leadership prior to the audit. However, the appropriate documentation could not be located during the site visit. Student Counseling Services will continue to obtain and maintain signed confidentiality statements on all employees, including student employees. Statements will be signed within thirty days of employment and re-signed prior to September 15th annually throughout employment.
BASIS OF REVIEW

Objective

The overall objective was to review and assess the financial and management controls over Student Medical Services and Student Counseling Services to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules.

Criteria

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

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

Background

West Texas A&M University’s Student Medical Services aims to provide high quality, confidential, holistic health care services to a diverse student population while minimizing costs. Student Medical Services has eight full-time employees, including a board certified family physician and four registered nurses, and a fiscal year 2011 operating budget of approximately $787,000.

West Texas A&M University’s Student Counseling Services provides multiple types of counseling services to students including personal, career, and couples counseling, as well as support groups and crisis intervention. Student Counseling Services has five full-time counselors and shares an Administrative Assistant and a Director with other student service operations, and a fiscal year 2011 operating budget of approximately $242,000.
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