The Texas A&M University System Internal Audit Department

THIRD QUARTER REPORT
FISCAL YEAR 2014

August 20, 2014
TABLE OF CONTENTS

REPORT Texas A&M University
  Review of Contract Administration

REPORT Texas A&M University at Galveston
  Review of Selected Management Controls

REPORT Texas A&M University
  Review of Cash Controls

REPORT Texas A&M International University
  Review of Contract Administration and Sponsored Programs

REPORT West Texas A&M University
  Review of Health, Safety, and Environmental Management

REPORT Texas A&M Veterinary Medical Diagnostic Laboratory
  Review of Health, Safety, and Environmental Management
TEXAS A&M UNIVERSITY

Review of Contract Administration

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

Administration of major contracts funded and operated through partnerships between Texas A&M University and private sector companies requires significant improvement in certain areas to ensure that contract risks and compliance are being managed. These are typically high dollar contracts that impact many areas of the university; thus, strong monitoring and oversight processes are critical. Centralized coordination and formal assignment of oversight responsibilities for these contracts is focused primarily on contract revenue requirements resulting in inconsistent monitoring of other significant contract terms.

In addition, adequate resources have not been dedicated to oversee contract compliance for the outsourced dining, building maintenance, landscape maintenance, and custodial services’ contracts. This includes implementation of required performance management tools to ensure adequate vendor performance and development of required detailed work plans. These work plans are critical in determining the scope of outsourced services to be provided and the responsibilities of each party. Opportunities for improvement were also noted related to the verification of revenue received from the university’s student disbursement services program agreement.

Summary of Significant Results

Centralized Contract Coordination and Administration

Coordination and assignment of oversight responsibilities at the university requires improvement for major contracts involving partnerships between Texas A&M University and private sector companies as well as A&M System contracts that involve the university. Centralized coordination and assignment of oversight responsibilities is focused primarily on contract revenue requirements only. As a result, it is not clear who in management is responsible for overseeing compliance with the other significant contract terms. These contracts have a monetary value...
in the millions of dollars annually. Noncompliance with contracts terms and inadequate vendor performance could have a significant financial and operational impact on the university.

Management of Outsourced Dining, Building Maintenance, Landscape Maintenance, and Custodial Services’ Contracts

Insufficient resources have been dedicated to overseeing outsourced dining, building maintenance, landscape maintenance, and custodial services’ contracts by the university. To date, there has only been one individual with 75% effort assigned to administer these four outsourced contracts which have a significant financial and operational impact to the university. Key portions of the contract such as implementation of vendor performance measurement tools and detailed work plans have not been completed even though the contract has been in place since August 2012. Adequate oversight and completion of key contract terms are critical to the overall success of these outsourced initiatives.

Summary of Management’s Response

Texas A&M University acknowledges the importance of centralized contract coordination and administration and will standardize the assignment of oversight responsibilities for contracts involving major university partnerships with private companies. In addition, the university will work with A&M System Offices’ personnel to establish a process that involves the university in the drafting of agreements initiated by the A&M System. This early inclusion will allow the university to gain a more comprehensive understanding of all terms and conditions of any draft agreements initiated by the A&M System and to formally assign a contract administrator as early as possible.

In addition, the university is committed to providing appropriate resources for the oversight and monitoring of the outsourced contracts to ensure the overall success of these outsourced initiatives.

Additional detail is provided within the individual audit response.
Detailed Results

1. Centralized Contract Coordination and Administration

Coordination and assignment of oversight responsibilities for major contracts that involve partnerships between Texas A&M University and private sector companies requires significant improvement to ensure compliance with contract terms and adequate vendor performance. Centralized coordination and assignment of oversight responsibilities is focused primarily on contract revenue requirements only. As a result, it is not clear who in management is responsible for overseeing compliance with the other significant contract terms.

The auditors identified over twenty-five of these types of contracts at the university that are either currently in place or in the process of being established. These contracts have a monetary value in the millions of dollars annually and often impact many areas of the university. Although most of these partnering contracts are included in a centralized database, it was often unclear who is responsible for overseeing general contract compliance and vendor performance. We noted several instances in which general contract terms were not being sufficiently monitored or complied with for the contracts tested. Details of these instances are noted below or within the other audit observations in this audit report:

- Barnes and Noble - Pricing of textbooks in compliance with contract terms is not being monitored.
- Pepsi - Marketing support amounts required to be incurred by the vendor are not consistently provided to the university to facilitate monitoring. In addition, product purchases by university departments and student organizations are not being monitored to ensure they receive the pricing in the agreement.
- Sterling Golf Management - A nutrient and pest management program was developed by Sterling Golf, but a copy of the program was not submitted to Texas A&M Environmental Health and Safety for review and approval as required.

University rules do not address administration of contracts subsequent to their execution. A&M System Policy 25.07, Contract Administration was updated in October 2013 to broaden the scope of the contract administration rules required for each member to include administration of the contracts once they have been executed along with contract closeouts and contract reporting requirements. The
The university Contract Administration rule has not yet been updated to address these new contract administration requirements. Noncompliance with contract terms and inadequate vendor performance related to these major contracts could have a significant financial and operational impact on the university.

**Recommendation**

Formally assign oversight responsibilities for contracts involving university partnerships with private companies to ensure these contracts are monitored for compliance with all contract terms including adequate vendor performance. Periodically report the results of contract compliance monitoring to executive management.

Update the university’s existing Contract Administration rule to provide guidance related to administration of contracts after execution as well as closeout of contracts and contract reporting requirements as required by A&M System policy.

**Management’s Response**

*The Department of Contract Administration will continue to provide oversight on university-wide major contracts. Contract Administration will coordinate with senior administration on assignment of appropriate responsibility for departmental specific major contracts and engage with the department to ensure contract compliance. Routine reporting will be provided to senior administration.*

*Texas A&M Standard Administrative Procedure (SAP) 25.07.01.M0.01, Contract Administration will be updated to align with the most recent changes to System Policy 25.07, Contract Administration as it relates to administration and contract close-out.*

*Both enhancement actions will be completed by December 31, 2014.*

2. **Management of Outsourced Dining, Building Maintenance, Landscape Maintenance, and Custodial Services’ Contracts**

Contracts were executed in August 2012 to outsource the university’s dining, building maintenance, landscape maintenance, and custodial services to Compass Group USA, Incorporated’s Chartwells Division (Chartwells) and Southeast Service Corporation’s Service Solutions (SSC). These contracts total more than $50 million in annual expenditures and have a significant impact on university operations. Due primarily to a lack of adequate resources dedicated to administering and overseeing these contracts, there are still critical aspects of
these contracts which have not been fully implemented including vendor performance tools and detailed work plans which are both critical to the success of these outsourced arrangements.

2a. **Adequate Resources to Manage Outsourced Dining, Building Maintenance, Landscape Maintenance, and Custodial Services**

*The university has not dedicated sufficient resources to oversee outsourced dining, building maintenance, landscape maintenance, and custodial services’ contracts.* Prior to outsourcing these university operations, an assessment was performed to identify responsibilities and functions that should be managed by the university related to the outsourcings. A proposal was prepared which included a vendor management program to serve several functions related to the success of the outsourced initiative and provide continuity of functions not encompassed by outsourcing. Specifically, the management program was to provide coordination of the contracted outsourced services with vendors, expertise necessary for appropriate oversight, management functions, and roles related to quality assurance and compliance.

To date, there has been one individual with 75% effort dedicated to administering these four outsourced contracts. Three personnel were originally approved and budgeted to help perform contract administration duties, but a decision was made to not take any action due to various management changes at the university along with the administrative review being performed by the A&M System. Key portions of the contract such as vendor performance measurement tools and detailed work plans have not been completed even though the contract has been in place since August 2012. Adequate oversight and completion of key contract terms are critical to the overall success of these outsourced initiatives.

Steps were taken by the university in February 2014 to begin filling the following positions to assist with administering the outsourced contracts:

- One project administrator to assist in overseeing construction inspections and administration for construction projects currently performed through SSC which total more than $120 million according to university personnel.

- One contract administrator to assist in overseeing compliance with contract terms and oversight of vendor performance for the SSC Building Maintenance Services’ contract.

- One contract administrator to assist in overseeing compliance with contract terms and oversight of vendor performance for the SSC Landscape Maintenance Services and SSC Custodial Services’ contracts.
Recommendation

Ensure sufficient resources are available to effectively monitor the dining, building maintenance, landscape maintenance, and custodial services’ outsourced contracts for compliance and adequate vendor performance given the magnitude and significance of these contracts to university operations. Reassess the monitoring workload several months after the three positions have been filled to determine if the university’s needs are being achieved.

Management’s Response

To assist with the oversight and monitoring responsibilities of the outsourced contracts, a Project Coordinator was hired on February 1, 2014 and an Assistant Director was hired on May 26, 2014. Management will monitor and assess the workload requirements to ensure the necessary resources are devoted to appropriately monitor and provide oversight to the dining, building maintenance, landscape maintenance, and custodial services’ outsourced contracts by December 31, 2014.

2b. Vendor Performance Management for Outsourced Dining, Building Maintenance, Landscape Maintenance, and Custodial Services’ Contracts

Vendor performance tools included in the dining, building maintenance, landscape maintenance, and custodial services’ contracts have not been implemented to monitor vendor performance. A performance measure evaluation tool has been created and agreed upon by both parties as required by the outsourced contracts. However, this tool has not yet been used by the university to measure vendor performance and create action plans to address problem areas. In addition, formal monitoring for quality assurance is not being performed for building maintenance (including construction projects), landscape maintenance, and custodial services by a representative of the university as stipulated in the outsourced contracts. Contracts with SSC include a quality assurance section which states that a representative of Texas A&M shall perform a monthly inspection of the premises to ensure compliance with the agreement.

Feedback received during the audit from various university constituencies indicated a general need for better communication and oversight by the university related to vendor activities. Most individuals were not aware of a formal mechanism to report problems or provide feedback related to vendor performance other than contacting the individual responsible for administering these contracts for the university. However, upon discussion with SSC management, it was determined that SSC
employees are available to handle issues and surveys are sent out with each work order. Although work order surveys are being sent out, the survey goes to the individual that initiates the work order who is often an assistant within the department. SSC management indicated that the assistant does not always complete the survey or forward it to departmental management to complete. As a result, SSC is working to better ensure surveys are sent to the appropriate individuals for feedback.

Without adequate oversight and monitoring of vendor performance, there could be a significant negative impact on university operations in the following areas:

- Increased cost and reputational risk due to disruption of university operations.
- Increased levels of employee, student, and visitor risk due to unsafe conditions.
- Employee discontent/low morale due to poor vendor quality and service.

**Recommendation**

Fully implement the performance measurement evaluation tools created to manage vendor performance related to these outsourced contracts and take action as necessary to address any problem areas in a timely manner. This includes assessing corresponding penalties for poor vendor performance and/or providing bonus payments to vendors for superior performance. Use this vendor performance information to determine the extent to which additional monitoring is needed by the university.

Educate university personnel on formal mechanisms available for reporting problems and work with SSC to enhance their current customer survey process related to work orders to ensure the survey is sent to the appropriate individuals for feedback.

**Management’s Response**

*Texas A&M personnel will continue to communicate with key groups/individuals to ensure the campus community understands the process for reporting problems and/or providing feedback on all the outsourced activities. SSC will also hire a Customer Service Manager to address this issue and Texas A&M personnel will work closely with this manager on campus communications. This includes reassessing the current customer service process related to work orders to ensure the survey is sent to the appropriate individuals for feedback.*
As the workload needs are addressed in management’s response to recommendation 2(a), the associated staff will assist in the implementation of the performance measurement tools by December 31, 2014. This information will be used to help determine areas where additional monitoring may be needed by the university.

2c. **Vendor Work Plans for Outsourced Dining, Building Maintenance, Landscape Maintenance, and Custodial Services’ Contracts**

Work plans critical to defining the scope of vendor services and the responsibilities of each party have not yet been finalized for the dining, building maintenance, landscape maintenance, and custodial services contracts. Detailed work plans were provided by Chartwells for dining services and by SSC for building maintenance, landscape maintenance, and custodial services in May 2013 as required; however, the work plans have not yet been accepted by the university approximately one year later. The university is currently reviewing the work plans and working with the vendors on requested modifications.

The original outsourced contracts were written open-ended in terms of the scope of work related to these agreements and included a stipulation that the vendor, in collaboration with Texas A&M, prepare a detailed work plan within the first nine months of the contracts. The contracts indicate that in the interim, the vendors will provide services consistent with the operating practices previously utilized by the university.

The untimeliness of addressing the completion of the work plans results in the university accepting activity levels from over 18 months ago instead of adjusting to current needs as defined in the detailed updated work plans.

**Recommendation**

Continue working with Chartwells and SSC to complete the development of detailed work plans that meet the requirements of the dining, building maintenance, landscape maintenance, and custodial services’ contracts.

Ensure the work plans adequately define the scope of vendor services to be provided as well as the responsibilities of each party.

Implement the work plans and monitor to ensure the plans are adhered to by both parties.
Management’s Response

Proposed work plans were submitted by SSC according to the agreement date. The proposed plans have been refined based on Texas A&M input and will be completed and approved by August 31, 2014. Plans will be monitored by the university to ensure they are adhered to by both parties.

Proposed work plans were submitted by Chartwells and approved April 14, 2014.

3. Student Disbursement Services Program Agreement

Royalty payments received annually from Wells Fargo Bank are not adequately monitored to ensure the accuracy and completeness of the payment received. In fiscal year 2013, the university received a royalty payment of $295,000 from Wells Fargo Bank based upon its Student Disbursement Services Program Agreement with the bank. The agreement specifies that the royalty payment amount will be based on a calculation involving the number of eligible student funds disbursement accounts and eligible bank checking accounts as a percentage of total student enrollment for the semester.

The university has not requested supporting documentation of the royalty payment calculation to ensure the accuracy of these payments which have been received annually since 2008. As a result, there is an increased risk that the university is not receiving the correct amount of revenue from royalty payments based upon the contract terms.

Recommendation

Request and review supporting documentation for the calculation of the annual royalty payment received from Wells Fargo Bank related to its Student Disbursement Services Program Agreement with the university. Ensure the calculation is correct and address any discrepancies noted with the vendor.

Management’s Response

Supporting documentation for the annual royalty payments was received from Wells Fargo on May 8, 2014. All previous years’ calculations have been reviewed and have been deemed to be accurately calculated and paid. Enhanced procedures have been implemented to ensure future calculations associated with this contract are monitored and verified against the revenue received. Those procedures were implemented as of May 31, 2014.
Basis of Review

Objective and Scope

The overall objective of this audit was to review contract monitoring processes at the university and determine compliance with selected contract terms for major contracts funded and operated through partnerships between Texas A&M University and private sector companies. Contract terms reviewed included those related to contract revenue, contract payments, insurance requirements, operating guidelines, financial reporting, and various other consideration or rights to be provided by either party such as vendor products and university advertising space.

The contracts reviewed included Chartwells Dining Services, SSC Building Maintenance Services, SSC Landscape Maintenance Services, SSC Custodial Services, Barnes and Noble Bookstore Services, Pepsi Beverage Company Vending Contract, Sterling Management Golf Course Operation, Adidas Athletic Apparel, Learfield Communications Athletic Multi-Media Rights, and Wells Fargo Student Disbursement Services Program. The audit period focused primarily on activities from September 1, 2012 to February 28, 2014. Fieldwork was conducted from December 2013 to April 2014.

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 Rules and Standard Administrative Practices; stated contract stipulations; 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.
Audit Team

Charlie Hrncir, CPA, Director
Brian Billington, CPA, Audit Manager
Holly Blue, CPA
Lori Ellison

Distribution List

Dr. Mark A. Hussey, Interim President
Dr. Karan L. Watson, Provost and Executive Vice President for Academic Affairs
Ms. B.J. Crain, Vice President for Finance and Administration
Mr. Rex Janne, Assistant Vice President for Business Services and University Contracts Officer
Mr. Dean Endler, Executive Director for Contract Administration
Mr. Ralph Davila, Executive Director for Contract Administration, Operations and Administration
Mr. Shane Hinckley, Assistant Vice President for Business Development
Mr. Charley Clark, Associate Vice President for University Risk and Compliance
TEXAS A&M UNIVERSITY AT GALVESTON

Review of Selected Management Controls

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

Texas A&M University at Galveston needs to significantly improve its procedures and monitoring processes related to student safety, employee safety training, and campus safety inspections to ensure that a safe environment exists for students, faculty, staff and visitors.

Coordination of health and safety areas between the Galveston campus and Texas A&M University’s Environmental Health and Safety (EHS) Office may provide an opportunity for support and monitoring to help reduce the university’s current safety risks. Opportunities for improvement were also noted in the development of hazardous communication programs, small class size justifications, and institutional student scholarship documentation.

The Galveston campus works with the local community in maintaining an emergency response and business continuity plan. Controls and monitoring processes have been established to provide assurance that the Texas Maritime Program operations are in compliance with federal regulations.

Summary of Significant Results

Student Safety

Safety procedures and monitoring processes need to be significantly improved in key student safety risk areas in order for the university to demonstrate its diligence in providing a safe environment for its students, faculty, and staff. These areas of risk include student laboratory safety training, student club sports, and student travel. Adequate safety procedures and monitoring are essential to ensure students are informed on the hazards related to laboratory safety, high risk sports, and travel in order to reduce their risk of injuries. Additionally, supporting documentation should be maintained in compliance with A&M System and state records retention standards.
Employee Safety Training

Significant improvements are needed in employee compliance with required laboratory safety training and bloodborne pathogen (BBP) training to ensure the university's safety programs are operating effectively. A&M System regulations require documented training on laboratory health and safety hazards. A&M System regulations as well as state and federal regulations require BBP training for certain employees who are at risk of exposure to blood and body fluids. The risk of injury to employees from exposure to laboratory hazards or bloodborne pathogens due to improper understanding, use, or storage is increased when timely training is not provided.

Campus Safety Inspections

Improvements are needed in fire and life safety inspection processes as well as the follow-up procedures for laboratory safety inspections. The Galveston campus does not have a comprehensive fire and life safety inspection program that includes all buildings on campus. In addition, there is no documentation of the laboratory safety inspection follow-up efforts to demonstrate that deficiencies identified are resolved in a timely manner. Without effective fire and life safety and laboratory follow-up programs, there is a greater risk of property damage and injury to students, faculty, staff and visitors.

Summary of Management’s Response

*Management agrees with the recommendations made in this report. We are committed to satisfactorily addressing the issues and have developed or enhanced procedures to address these issues. Additional detail is provided within the individual audit response.*
Detailed Results

1. Student Safety

Safety procedures and monitoring processes need to be significantly improved in key student safety risk areas in order for the university to demonstrate its diligence in providing a safe environment for its students, faculty, and staff.

Laboratory Safety Training

Current processes do not ensure that students receive the necessary laboratory safety training in a timely manner. Although there is evidence that students are receiving some level of laboratory safety training, documentation and monitoring of this training is limited. Six of 15 (40%) laboratory students tested did not complete lab safety training in a timely manner. Five of these students did not have evidence of completing safety training and one student completed training 56 days after the class start date. A review of all students enrolled in Marine Biology, Marine Science, and Marine Systems Engineering departments’ laboratory courses showed that 1,013 of 1,808 (56%) students enrolled did not complete a laboratory safety acknowledgement form to signify completion of laboratory safety training.

When students register for a laboratory course, the student information system (Banner) automatically refers them to the required training and completion of a laboratory safety acknowledgement form. However, the reports from the Banner system documenting students’ completion of the acknowledgment forms were not reviewed and monitored to ensure all students completed the necessary training prior to participating in laboratory activities. Student laboratory safety training is important as it provides students information on the physical and chemical hazards in the laboratory and reduces the risk of injuries.

Student Club Sports

Improvements are needed to ensure students participating in high risk club sport activities have received the required training prior to participating in the sport and that documentation is retained in accordance with the A&M System records retention policy. Eight of 16 (50%) student club participants reviewed lacked supporting documentation for required safety procedures. Three participants did not have documentation that required swim tests had been completed, two participants did not have documentation that the required rowing team training video had been completed, six participants were missing liability waiver and release
forms, and one participant did not have documentation of the required diving certification or diving insurance.

There is a lack of monitoring controls to ensure required safety training is completed before the student is permitted to participate on the club sport team. Documentation of safety training and required liability waivers are not retained in compliance with the A&M System records retention policy (two years). Without properly completed and maintained documentation to facilitate monitoring there is an increased risk that students are not properly trained to prevent injuries. In addition, the university is at risk of not having the supporting documentation to demonstrate that students were made aware of and accepted the risks related to club sports prior to their participation.

**Student Travel**

**Documentation is incomplete to ensure that required student travel procedures were followed.** Six of ten (60%) student trips reviewed lacked supporting documentation for travel procedures as required by university standard operating procedures. Four trips did not have certification that drivers of large capacity vans had completed training as required, two trips were missing liability waiver and release forms, and two trips were missing emergency contact information. Student travel associated with academic departments has not been formally addressed by management at the Galveston campus. A student travel process exists for travel associated with student activities, but academic departments did not use these documentation procedures for academic student travel. Current student travel procedures do not include records retention requirements for student travel documentation. Without a monitoring process to ensure that student travel procedures are followed, the risk of potential travel-related injuries, noncompliance with A&M System regulations, and financial liability to the university is increased.

**Recommendation**

Develop comprehensive safety procedures, and monitoring and oversight processes over student laboratory safety training, student club sports, and all student travel programs to ensure that safety training is completed by students as required and adequately documented. Provide training to employees to ensure they understand club sport safety, student travel procedures, and records retention requirements. Include records retention requirements in all safety procedures and retain documentation in compliance with the A&M System Records Retention Schedule.
Management’s Response

Management will implement the following changes to improve student safety processes:

- The reports from the Banner system documenting students’ completion of training acknowledgement forms will be reviewed and monitored to ensure all students completed the necessary training prior to participating in laboratory activities. On the 5th class day, a consolidated report from the Banner system will be used by the EHS Office to monitor for compliance. Procedures will be reviewed and updated as necessary. Full implementation will be in place by January 30, 2015.

- New processes are being developed for sports club documentation, records retention, and oversight. Coaches have been instructed on student safety training requirements for club sports and maintaining appropriate documentation in compliance with records retention requirements. The Associate Director of the Recreational Sports program will verify safety training documentation and ensure records retention compliance. Procedures will be reviewed and updated as necessary. Full implementation will be in place by January 30, 2015.

- The Galveston campus will follow the same standard administration procedures as Texas A&M for student travel and will form a permanent oversight committee on student travel to keep all departments current on all related policies and procedures. At the beginning of each semester, the committee will meet with the applicable faculty, staff, and graduate teaching assistants to review student travel policies, procedures, and compliance requirements. Documentation to ensure compliance with driver training certifications, waiver and release forms, and emergency contact information requirements will be retained in accordance with records retention requirements. Procedures will be reviewed and updated as necessary. Full implementation of these procedures will be in place by September 30, 2015.

2. Employee Safety Training

Significant improvements are needed in employee compliance with required laboratory safety training and bloodborne pathogen (BBP) training to ensure the university’s safety programs are operating effectively.
Employee Laboratory Safety Training

Laboratory safety training for new employees is not provided in a timely manner. Four of 12 (33%) employees did not complete laboratory safety training in a timely manner. Two faculty employees hired on September 1, 2013 and November 1, 2013 have not received training and two employees completed safety training 158 and 216 days after their hire date. Employee laboratory safety training is decentralized at the department level with little monitoring to ensure that training is completed in a timely manner. Currently, departments are required to provide safety training to new employees and provide names of graduate students teaching laboratory courses to the campus safety officer for training. A&M System regulations require laboratory safety training be provided and documented for faculty, staff, and students. Lack of safety training and inadequate documentation increases potential liability to the university in the event of a safety-related injury and can result in noncompliance with A&M System regulations and state laws.

BBP Control Plan and Training

Written procedures have not been developed for a BBP exposure control plan to provide guidance regarding occupational risks and specific precautionary control measures needed to manage and minimize potential exposure to bloodborne pathogens. Employees in positions requiring BBP training had not received the training as required by A&M System regulations as well as state and federal law. Monitoring procedures are not in place to ensure that all employees get the necessary training before potential exposure to hazards. Employees in job classifications identified as a risk for occupational exposure to bloodborne pathogens are required to receive BBP training prior to initial assignment to tasks where occupational exposure may occur. Without an effective plan or training for the bloodborne pathogens, the university is at a higher risk for employee accidents related to contamination by substances which are biological in nature.

Recommendation

Develop a process to ensure newly hired employees with laboratory responsibilities receive safety training in a timely manner. Establish a BBP exposure control plan for the Galveston campus or add Galveston campus positions to the Texas A&M University BBP exposure control plan. Develop monitoring procedures to ensure that all employees with potential exposure to laboratory hazards and bloodborne pathogens receive training prior to initial exposure.
Management’s Response

Employee Laboratory Safety Training

We will implement changes to improve laboratory safety training for employees by working with the EHS Office in College Station to coordinate safety procedures and compliance controls. We will identify persons needing safety training and ensure that they receive it prior to working in the laboratory, including new hires as they attend orientation. Where possible, we will use TrainTraq to record and track training. Anticipated completion date: September 30, 2015.

BBP Control Plan and Training

To improve compliance, we will adopt the Texas A&M BBP manual and train persons in the following areas: campus police, all athletic facility staff, Sea Camp professional staff, and Residence Life professional staff as identified by the Texas A&M Office of Research Compliance. Training will be onsite and recorded in TrainTraq. Exposure health monitoring will be completed via a third-party vendor (UTMB). All records will be imaged and retained by EHS Office according to retention rules and privacy laws. Anticipated completion date: January 30, 2015.

3. Campus Safety Inspections

Significant improvements are needed in fire and life safety inspection processes as well as the follow-up procedures for laboratory safety inspections.

Fire and Life Safety Inspections

The university does not have a comprehensive fire and life safety inspection program that includes all buildings on the Galveston campus. The Galveston campus conducts several levels of fire and life safety inspections in student residence halls and apartment facilities. However, the remaining 22 buildings on the Galveston campus have not had a comprehensive fire and life safety inspection. Currently, the university has not identified and addressed fire and life safety deficiencies through comprehensive inspections of facilities. Management has asserted that they have relied on third-party inspections of various aspects of fire and life safety. These include the insurance company and contracted vendor inspections of fire alarms, extinguishers, and sprinkler systems. These inspections are conducted for specific purposes and may not cover all necessary fire and life safety risks. Without a comprehensive fire and life safety inspection program, the university may not be aware of potential hazards in its campus facilities which could impact the ability to provide a safe environment for its students, faculty, staff and visitors.
Laboratory Safety Inspection Follow-ups

There is no formal follow-up documentation or tracking of laboratory safety deficiencies identified during routine laboratory safety inspections to ensure that all are addressed in a timely manner. Currently, the university's Safety Office laboratory safety inspection program provides reports to departments responsible for the laboratory and it is that department's responsibility to oversee the resolution of any safety deficiencies identified. However, there is no documentation of any follow-up efforts by the Safety Office to demonstrate that deficiencies identified are resolved in a timely manner. As a result, there may not be adequate assurance that departments have resolved all noted laboratory safety deficiencies in a timely manner resulting in an increased risk of injury to students and employees, as well as property damage.

Recommendation

Develop a risk-based fire and life safety inspection schedule for the Galveston campus facilities to determine the inspection frequency necessary to ensure a safe living, teaching, and working environment. Develop and implement comprehensive written procedures for fire and life safety inspections, and laboratory safety inspections including follow-up inspection procedures. Implement a formal tracking and monitoring process of laboratory safety deficiencies noted during Safety Office inspections and document the follow-up inspection resolution of these safety deficiencies to ensure they are resolved in a timely manner.

Management's Response

Fire and Life Safety Inspections

We will adapt and adopt the Texas A&M EHS manual for fire and life safety. All EHS inspections will be documented and follow-up procedures created to ensure re-inspection compliance. These inspection reports will be imaged by the EHS Office and retained according to university records retention procedures. Anticipated completion date: September 30, 2015.

Laboratory Safety Inspection Follow-ups

We will update the Galveston campus’ laboratory safety inspection procedures to create a tracking and follow-up inspection procedure. This will create reports identifying deficiencies and corrective actions accomplished. The EHS Office will document all inspection reports and they will be imaged by the EHS Office and retained according to records retention procedures. Anticipated completion date: September 30, 2015.
4. Hazardous Communication Program

Work area and workplace implementation plans have not been developed as required in the Galveston campus’ Chemical Laboratory Safety and Hazard Communication Compliance Manual. Three of five (60%) classroom laboratories did not have a workplace or work area implementation plan. Monitoring procedures are not in place to ensure that workplace or work area implementation plans are developed to address the requirements of the campus Hazard Communication Program. These work area and workplace plans are required by the Galveston campus in addition to A&M System requirements. Without adherence to requirements in the manual, the Galveston campus may be exposed to additional risks of liability should injuries occur.

Recommendation

Review the workplace and work area implementation plan requirements in the Chemical Laboratory Safety and Hazardous Communication Compliance Manual to determine if these requirements should be changed. Establish procedures to monitor and enforce requirements established in the Chemical Laboratory Safety and Hazardous Communication Compliance Manual.

Management’s Response

We will update the Galveston campus’ HazCom plan to include formal procedures to audit each laboratory space annually for compliance with the Chemical Laboratory Safety and Hazardous Communication Compliance Manual. We will document these inspections and the follow-up to ensure that each laboratory that is deficient has taken corrective action. The reports generated will be imaged by the EHS Office and retained according to university records retention procedures. Anticipated completion date: January 30, 2015.

5. Small Class Size

A formal small class size monitoring function is not in place to ensure that courses that do not meet minimum class size requirements have appropriate justifications for continuation. Two of 10 (20%) small class courses tested did not have evidence of department head justification or management approval. Procedures were not in place for documenting department head justification and management approval of small classes. Justification was often obtained informally. Without a formal monitoring function there is an increased risk that courses not meeting minimum enrollment requirements will continue to be held which could result in an inefficient use of resources.
Recommendation

Establish procedures to document department head justification and management approval of small class sizes.

Management’s Response

*Enrollment Services will implement a new procedure which will require written documentation of requests from department heads, as well as written documentation of management approval. Anticipated completion date: January 30, 2015.*

6. Institutional Scholarships

The ranking and selection of eligible students for scholarship awards is not documented. Departments nominate students to the Scholarship & Awards Committee to be considered for institutional scholarships; however, these selection processes are not documented. The Scholarship & Awards Committee members vote on scholarship awards, but student rankings or other support for award decisions is not documented. There are no procedures in place for formal documentation of student nomination, selection, or scholarship awards. Without procedures to lead departments, the risk is increased that the university cannot demonstrate that scholarship award decisions were made on an objective basis and met donor intent and that records are retained to support scholarship awards.

Recommendation

Develop procedures to provide guidance to departments and the Scholarship & Awards Committee for the scholarship award process. Ensure that documentation is maintained to support award decisions.

Management’s Response

*To improve documentation, the Galveston campus' Scholarship and Awards Committee kept minutes of the scholarship selections for the 2014 – 2015 cycle. The committee documented how each nominee and/or recipient met the scholarships’ criteria, the proceedings from the committee votes, etc. This selection cycle incorporated a new electronic system to assist in matching scholarship criteria with qualified candidates. The Financial Aid Office developed and implemented a “Conflict of Interest and Confidentiality Statement” and “Subcommittee Selection Process Form” that documents scholarship selection processes used by committee members and their respective departmental subcommittee members.* Beginning
with 2015 – 2016, the committee will develop guidelines, identifying the committee’s selection standards for the upcoming cycle, including a discussion of student disciplinary issues, prior receipt of scholarship awards, etc. A formal training over guidelines and best practices will be held prior to the 2015 – 2016 cycle. Anticipated completion date: September 30, 2014.
Basis of Review

Objective and Scope

The overall objective of this audit was to review and assess selected management control processes at Texas A&M University - Galveston to determine if resources are used efficiently and effectively and in compliance with applicable laws and policies.

The review of selected management controls at Texas A&M University – Galveston focused on laboratory safety training, fire and life safety inspections, laboratory safety inspections, hazard communication program, student travel, student club sports, training ship crew certifications and safety training, institutional scholarships, facility maintenance, small academic class size, and graduation process. The audit period focused primarily on activities from January 1, 2013 to December 31, 2013. Fieldwork was conducted from December 2013 to February 2014.

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.
Audit Team

Charlie Hrncir, CPA, Director
Sandy Ordner, CPA, Audit Manager
Kendall Kleiber, CPA

Distribution List

Dr. Mark A. Hussey, Interim President
Dr. Karan Watson, Provost and Executive Vice President for Academic Affairs
Ms. B. J. Crain, Vice President for Finance and Administration
Rear Admiral Robert Smith III, Vice President and Chief Executive Officer, Texas A&M University at Galveston
Major General Bill McClain, Special Advisor to the Chief Executive Officer, Texas A&M University at Galveston
Dr. Patrick Louchouarn, Vice President for Academic Affairs and Chief Academic Officer, Texas A&M University at Galveston; and Associate Provost, Texas A&M University
Ms. Susan Hernandez Lee, Vice President for Finance, Texas A&M University at Galveston
Mr. Charley B. Clark, Associate Vice President for University Risk and Compliance
TEXAS A&M UNIVERSITY

Review of Cash Controls

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

Overall, the controls established over cash at Texas A&M University provide reasonable assurance that the university is operating in compliance with applicable policies, regulations, and rules and that cash assets are properly safeguarded. However, significant improvement is needed in the monitoring of permanent working funds. There are also opportunities to improve the timely clearing of reconciling items and the updating of temporary working fund procedures.

The university has 35 permanent cash working funds totaling $225,000, and in fiscal year 2013 issued 163 temporary working funds totaling $1.2 million. The university fiscal office performs bank and clearing account reconciliations for 338 university accounts reviewing over 650,000 transactions monthly.

Summary of Significant Results

Permanent Working Funds

More effective management of permanent working funds is needed to provide greater assurance that working funds and related revenues are safeguarded and maintained in compliance with A&M System regulations. Five of 15 (33%) permanent working funds reviewed had one or more cash control weaknesses. The university has established a monitoring process to annually review permanent working funds. However, there are opportunities to enhance this monitoring process to provide better assurance that a strong control environment is maintained so that the risk of losses is reduced.

Summary of Management’s Response

Management agrees with the recommendations. The university has invested in significant changes over the past several years that include the reduction in the total number of working funds, the reduction in amounts of each working fund, and increased monitoring to include surprise cash counts and annual verification. The university will continue its efforts through the office of Financial Management Operations (FMO) to provide monitoring and cost-effective controls relative to risk,
and will continue to emphasize to working fund owners the responsibility that the department assumes with the establishment and maintenance of a departmental working fund according to A&M System Regulation 21.01.11. An additional enhancement will be online cash handling training that will be required for all custodians and anyone with access to iPayments or individuals identified as having cash handling duties. FMO will specifically work with the five departments identified in this audit as having weaknesses with their control procedures over working funds. Implementation date is August 31, 2014.
Detailed Results

1. Permanent Working Funds

Monitoring of permanent working funds needs improvement to provide greater assurance that working funds and related revenues are safeguarded and maintained in compliance with A&M System regulations. Five of 15 (33%) permanent working funds reviewed had one or more cash control weaknesses including inadequate segregation of duties, deposits not made timely, lack of transfer logs, and no reconciliation to compare expected revenues to deposits. These types of weaknesses significantly increase the university's risk that permanent working funds can be misappropriated. In addition, one permanent working fund was not justified (was only used on a temporary basis), and one fund was not used for the approved purpose.

The university's monitoring of permanent working funds should be improved. For example, during annual unannounced cash counts reviewers should not just request copies of departmental procedures, they should also review the procedures to ensure they are complete and cover all required areas. Several of the permanent working funds reviewed in this audit were lacking one or more required elements in their departmental working fund procedures when compared to A&M System regulations and Financial Management Operations (FMO) Guidelines. Additionally, the cash count reviewers do not obtain information to determine if an effective reconciliation is performed between expected revenues and revenues deposited into the Financial Accounting Management Information System (FAMIS). Deficiencies noted during the prior year annual cash counts are not reviewed until the next annual cash count. More timely follow-up reviews of deficiencies would ensure that corrections are made to address control weaknesses.

In addition, verification forms and memos for permanent working funds and fund custodians include references to A&M System Regulation 21.01.02, Receipt, Custody and Deposit of Revenues; however, there is no reference to A&M System Regulation 21.01.11, Working Funds. The forms were not updated when A&M System Regulation 21.01.11 was adopted in March 2011. Without current procedures, employees may not have the information needed to perform their responsibilities in compliance with regulations.

Cash handling training is available online; however, there are no requirements that fund custodians or other employees with cash handling duties complete periodic cash handling training. Without training employees may not be aware of all of the requirements that are necessary to maintain a strong control environment over cash
working funds and the related revenues or expenditure processes for which they are used.

**Recommendation**

Improve the verification and cash count monitoring process to provide greater assurance that the university’s permanent working funds have strong cash controls in place that are compliant with A&M System and university requirements by:

- Evaluating the adequacy of the segregation of duties for each working fund.
- Reviewing documentation to determine if deposits are being made on a timely basis.
- Determining if the permanent working fund is justified and used for its approved purpose, and control processes are in compliance with A&M System regulations.
- Reviewing documented procedures of departments’ handling of cash to ensure procedures are in compliance with applicable policies, regulations, and rules.
- Determining if there is a reconciliation process in place to compare expected revenues with actual revenues received.

Follow up with departments in a timely manner (within 1-2 months) to ensure recommendations to correct issues noted during the verification and cash count processes are implemented.

Update the annual permanent working fund verification forms to include reference to A&M System Regulation 21.01.11.

Require training for primary and back-up fund custodians and any other key personnel responsible for cash handling or who may be involved in the receipt, custody, and deposit of revenues.

**Management's Response**

*Management agrees with the recommendation. We are updating our processes and forms, and will also identify the specific individuals who will be assigned the*
mandatory online cash handling training. This will be implemented by August 31, 2014.

2. **Timely Clearing of Reconciling Items**

Account reconciliation and review processes require improvement to accurately identify and clear outstanding items in a timely manner. Fifteen accounts have reconciling items dated 2010 or older with some reconciling items dating back to 2005. For many of the old outstanding items, the FMO department is waiting on information from other departments to clear the items. The current aging report of outstanding reconciling items does not provide detail of the age of items greater than 90 days old. Management does not have information to make decisions to elevate communication with other departments to clear the items or to determine if items should be written off.

Clearly defining the age of outstanding items and establishing timeframes for when items must be cleared or reported to another level of management is needed to ensure actions are taken to resolve outstanding issues. Without periodic review and clearing of outstanding reconciling items, the risk of errors, discrepancies and misappropriations occurring and not being detected is increased.

**Recommendation**

Ensure that outstanding reconciling items are resolved and cleared in a timely manner. Break down the aging report of outstanding reconciling items in further detail so that it clearly identifies the age of all outstanding reconciling items. Establish timeframes/targets by which outstanding reconciling items must be cleared or reported to a higher level of management.

**Management’s Response**

*Management agrees with the recommendation. We are working to resolve the older outstanding reconciling items. The current aging report is being redesigned to include additional information regarding the age of the outstanding items so that management can take appropriate action. The redesign of the outstanding reconciliation report will be completed by August 31, 2014.*

3. **Temporary Working Funds Procedures**

The university has established temporary working fund procedures; however, they are not current. The Guidelines for the Disbursement of Funds has not been updated since 2010 and references university Standard Administrative Procedure
21.01.03.M0.02 which is no longer listed on the university rules website. In addition, FMO internal temporary working fund procedures have not been updated since 2006. These procedures also include a reference to Standard Administrative Procedure 21.01.03.M0.02 and have not been updated to reflect procedure changes due to the implementation of the Concur travel system in 2012. Without current procedures, employees may not have the information needed to perform their responsibilities related to temporary working funds.

Recommendation

Update temporary working fund procedures to reflect current university processes and applicable A&M System regulations and university rules and procedures.

Management’s Response

Management agrees with the recommendation and we are updating our procedures. The updates will be completed by August 31, 2014.
Basis of Review

Objective and Scope

The overall objective of this audit was to review controls over cash to determine if Texas A&M University is in compliance with policies, regulations and rules, and provide reasonable assurance that these areas are managed efficiently and effectively and assets are being properly safeguarded.

The university, including the Galveston campus, reported revenues of $286 million from sales of goods and services during fiscal year 2013. The university collects a large portion of revenues through online transactions; however, there are locations throughout the campus that collect funds for various types of revenues. Cash working funds are used to make change in those operations that accept cash payments. The university has 35 permanent cash working funds totaling $225,000, and in fiscal year 2013 issued 163 temporary working funds totaling $1.2 million. The university fiscal office performs bank and clearing account reconciliations for 338 accounts and reviews 650,000 transactions monthly.

The review of cash controls at Texas A&M University focused on account reconciliations, permanent working funds, and temporary working funds. The audit period focused primarily on activities from September 1, 2012 to November 30, 2013. Fieldwork was conducted from February to April, 2014.

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 Rules and procedures; 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.
Audit Team

Charlie Hrncir, CPA, Director
Sandy Ordner, CPA, Audit Manager
Danielle Carlson, CPA
Aliza Dirden, CIA
Kendall Kleiber, CPA

Distribution List

Dr. Mark A. Hussey, Interim President
Dr. Karan Watson, Provost and Executive Vice President for Academic Affairs
Ms. B.J. Crain, Vice President for Finance and Administration
Mr. Gary Barnes, Associate Vice President for Finance and Controller
Mr. Charley Clark, Associate Vice President for University Risk and Compliance
TEXAS A&M
INTERNATIONAL UNIVERSITY

Review of Contract Administration and
Sponsored Programs

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

Project #20141601
Overall Conclusion

Texas A&M International University’s processes and controls over contract and grant administration provide reasonable assurance that agreements for outsourced services and sponsored programs are being managed in compliance with applicable guidelines except in the areas of vendor performance and effort certifications. Significant improvements are needed in the oversight and monitoring of vendor compliance with the facilities support services’ contract provisions, and in the administration of effort certifications to ensure compliance with A&M System regulations and sponsor agreements. Opportunities for improvements were also noted in the areas of calculating grant matching costs, management of vendor payments for outsourced housing operations, and the creation of financial accounts for sponsored projects.

Summary of Significant Results

Vendor Performance for Outsourced Facilities Support Services’ Agreement

Vendor performance tools included in the facilities support services’ contract have not been implemented to monitor vendor performance. Work plans critical to the scope of vendor services, and the responsibilities of each party, have not been completed and approved. The provisional statement of work has not been amended and finalized in accordance with the contract. This amendment was required to be finalized during the nine-month period between May 31, 2013, the effective date of the contract, and February 28, 2014. Without adequate oversight and monitoring of vendor performance, there could be a significant negative impact on university operations. A lack of monitoring also increases the risk of higher cost, unsafe conditions, and employee/student discontent due to poor vendor quality and service.

Effort Certifications for Sponsored Programs

Sponsored program effort certifications were not completed as required for 19 of 30 (63%) sponsored program certifications tested. Certification documents were
not certified timely due to a misunderstanding in an automated process that was new to the campus. Other certifications were not completed due to an oversight in the processing. Noncompliance with required federal certification of effort requirements increases the university's risk for penalties and sanctions.

**Summary of Management’s Response**

*The university is committed to ensuring that agreements for outsourced services and sponsored programs are managed in accordance with applicable guidelines. Adjustments have already been made to ensure compliance with required effort certifications, and measures will be taken to more closely monitor the performance of the facilities support services’ vendor, including the execution of an amended statement of work.*
Detailed Results

1. Vendor Performance for Outsourced Facilities Support Services’ Agreement

Vendor performance tools included in the facilities support services’ contract have not been implemented to monitor vendor performance. Work plans to define the scope of vendor services and responsibilities of each party have not been completed and approved. A baseline contract in the amount of $2.4 million and the provisional statement of work were amended for the first year, but the detailed work plan has not been finalized in accordance with the contract. This amendment was required to be finalized during the nine-month period between May 31, 2013, the effective date of the contract, and February 28, 2014. Without defining the service levels the university cannot determine if services rendered are in agreement with expectations. Although the university developed an informal monitoring process it is not formally documented, and due to limited resources is neither comprehensive nor performed on a scheduled basis. In addition, the vendor has not developed a quality assurance program to measure quality levels of services. The vendor and the university have not formally agreed on terms for the work plan or benchmarks for measuring performance.

Without adequate oversight and monitoring of vendor performance, there could be a significant negative impact on university operations. A lack of monitoring also increases the risk of higher cost, unsafe conditions, and employee/student discontent due to poor vendor quality and service.

Recommendation

Work with the vendor to develop detailed work plans that meet the requirements of the contract including addressing the specific needs of the university. Ensure the work plans adequately define the scope and levels of vendor services to be provided for both deferred and preventative maintenance as well as the responsibilities of each party. Implement these work plans and monitor vendor performance to ensure the plans are adhered to by the vendor.

Work with the vendor to develop the quality assurance program to include benchmarks, tools, and metrics to measure the quality of service and action plans. Perform monthly inspections to ensure compliance with the contract.
Management’s Response

The university agrees with the recommendation concerning the need for detailed work plans that “adequately define the scope and levels of vendor services to be provided for both deferred and preventative maintenance as well as the responsibilities of each party,” and will make its best effort to establish, both, work plans and a quality assurance program by February 2015. The university also believes all members would be well served through the standardization of the work plans and quality assurance program and will reach out to the System Offices to see if such templates can be developed.

2. Effort Certifications for Sponsored Programs

Effort certifications were not completed as required for 19 of 30 (63%) sponsored program certifications tested. Testing indicated the following:

- Sixteen certifications tested were not completed timely.
- Two certifications tested for biweekly employees were not completed by the supervisor approving the timesheet due to an oversight in processing.
- One certification tested was for a Principal Investigator (PI) that did not accurately reflect his effort on a particular award. The PI’s time is used for matching requirements and paid out of state funds; however, a separate account was not set up to track and certify this effort.

According to the A&M System regulation, employees must certify their time and effort reports within 45 days after they are released to PIs for certification. A prolonged lapse of time between activity and certification can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments. The university generated the certifications electronically, but was not aware of an administrative verification step that would push the certifications to the PIs, thus, resulting in time and effort reports that were outstanding for longer than 45 days. Additionally, the university does not actively monitor outstanding time and effort reports to ensure they are completed timely.

Noncompliance with required federal certification of effort requirements increases the university’s risk for penalties and sanctions.

Recommendation

Develop monitoring processes for certifications in the Time and Effort System and TimeTraq to ensure that effort certifications are complete, accurate, and include all
employees with time charged to a sponsored program project. Develop a process for tracking employees’ time working on sponsored programs that are paid out of a cost share account, and generate effort certifications that account for 100 percent of their effort.

Management’s Response

Texas A&M International University agrees with the proposed recommendation. To ensure that time and effort documents are certified within 45 days as required by System policy, the following steps have been taken: (1) Effective April 2014, the “administrative verification” step was removed to allow time and effort documents to be released directly to the respective PIs/approving managers beginning with the reporting cycle of January 1, 2014 – June 30, 2014. (2) All adlocs within the Time and Effort System were flagged in July 2014 so that automated weekly notification e-mails will be generated for all PIs/approving managers with any pending/open documents. (3) The Office of Grants & Contracts will contact those PIs/approving managers with pending/open documents as of the 30th and 40th day (after reports are available) to ensure compliance within the 45-day System policy requirement.

For committed cost-share of salaries on federal sponsored programs, a cost-share account will be established for all new awards and flagged for time and effort. This will allow the Office of Grants & Contracts to properly track the employee’s time and will allow the time and effort system to generate certification documents that account for 100% of their effort. For the PI mentioned in this report, a cost-share account has been established and will be charged no later than September 2014.

3. Matching Calculation and Data Entry Errors

Errors were identified in tracking the matching contribution for the university’s Department of Education Gear-Up grants. While no significant errors were identified, the current process for recording matching items makes it difficult to determine what matching amounts have been reported in previous periods for the multi-year award. The university and its partnering schools provide institutional resources to meet part of the matching contributions as required by the award. Resources can include classroom space, laboratories, conference rooms, and space at target schools for staff, programs and meetings. These types of resources are in-kind and are being manually tracked using forms, spreadsheets, and manual calculations. A significant amount of time and effort is spent on managing the matching requirements. Currently, this does not include a monitoring or review process.
The Gear-Up grants’ matching requirements allow the university to provide matching funds in cash or in-kind resources that may accrue over the full duration of the grant award periods, as long as the university is making substantial progress towards meeting the matching requirement in each year of the grant. An annual performance report is submitted to the sponsor that includes reporting on the progress of the matching requirement.

The Gear-Up grants were awarded with funding for up to seven years for a total of $43 million. The thousands of matching items being manually tracked over multiple years and the high dollar matching amount required by the sponsor (currently a 50 percent match) increases the university’s risk of errors in tracking and reporting the matching amount which could result in noncompliance with the grant requirements.

Recommendation

Evaluate tools for tracking in-kind matching resources that includes an audit trail of data entry and a method to verify amounts reported to the sponsor for a specific period. Develop a monitoring and review process to ensure data is being accurately calculated, tracked, and matches supporting documentation.

Management’s Response

We have identified a cost-share component within the sponsored research module (SPR) which provides the capability to record, view and track cash and in-kind contributions on sponsored projects. This cost-share component will be evaluated to determine whether it is an effective tool to manage the cost-share activity on sponsored projects by November 2014. If the component is found to be satisfactory, it will be utilized beginning in December 2014.

4. Management of Vendor Payments for Outsourced Housing Operations

Vendor payments for housing operations are not being handled according to the contract terms. Rather than having the vendor submit periodic invoices to the university in accordance with contract terms, the university and the vendor have informally agreed to make payments based upon an approved budget. The reliance on the budget verses actual expense calculation results in a “true-up” calculation at year-end to identify any differences in the amount paid and amount owed. The “true-up” process for fiscal year 2013 did not occur resulting in an outstanding balance owed to the vendor. According to the contract, the vendor shall provide invoices to the university for the services performed. Invoices must be submitted no later than the 15th day of the month after the services are
completed. In addition, a monitoring process for payments to and from the housing operations has not been created.

Additionally, the university advanced the vendor a payment in October 2013 for necessary expenses and adjusted the remaining payments for the year. The request and approval of this transaction was not documented to provide support for this payment. The payment did not result in overpayment, but there is a risk to the university that changes in personnel at the university or the vendor could result in a disagreement over undocumented payments and terms.

**Recommendation**

If the terms of the original contract are to be changed the university needs to develop agreed-upon procedures with the vendor or develop a contract addendum to formally document the processes for payments to include the year-end “true-up” and advance payment requests. Designate responsibilities and expectations for each party. Develop internal monitoring procedures to ensure that payments are reflecting actual expenses and fees at year-end.

**Management’s Response**

*The university agrees with the recommendation and will work with the vendor to complete an addendum to the contract. This addendum will outline the practice of making payments based on the approved budget with a monthly “true up” calculated utilizing the monthly income statements provided by the vendor. Advance payment requests, too, will be formally documented and approved by the comptroller and CFO.*

*Given that a contract addendum will likely involve legal review, the university hopes to have the addendum executed by December 2014; however, the new, monthly “true up” procedures will begin in October 2014 for the September expenses.*

5. **Account Setup**

Data errors were identified in project accounts in the sponsored research module (SPR) of the university’s accounting system. Upon notification that a proposal has been awarded, the Office of Contracts and Grants sets up an account in the accounting system and SPR. Four of 40 (10%) data fields tested had inaccurate project data entered. Errors identified included an incorrect grant end date, grant amount, and federal flow through flag. A review of account setup is not performed after initial setup to verify accuracy of manually input data. Incorrect data in these fields can result in delayed reporting, over or under use of grant funds, or incorrect reporting to sponsors.
Recommendation

Develop a process to perform a secondary review of all new account setups to ensure accuracy of data input.

Management’s Response

*Effective August 2014, a secondary review process has been incorporated into the New Grant Set-Up Checklist which is utilized for the initial set-up of the grant award within the sponsored research module (SPR). The secondary review will be documented and serve to ensure the integrity and accuracy of project data.*
Basis of Review

Objective and Scope

The review of contract administration and sponsored programs at Texas A&M International University focused on contract approvals, monitoring, compliance, pre-award, post-award, and close-outs. The audit period focused primarily on activities from September 1, 2012 to March 31, 2014. Fieldwork was conducted from March to May 2014.

Contracts included in this review:
- Aramark - dining services
- Barnes and Noble - bookstore
- American Campus Communities – housing (2 contracts)
- Service Solutions Corporation (SSC) - Facilities maintenance and landscaping

Sponsored programs included in this review:

Pre-Award Sponsored Programs
- Title V: Focus on Student Success; Laredo Community College
- TRC Science 2014; University of Texas at Austin
- MRI:400 Mhz Nmr Spectrometer; National Science Foundation
- Mitigation Triclosan in Onion Plant; US Department of Agriculture
- Robert Noyce Teacher Scholarship; National Science Foundation

Post-Award Sponsored Programs
- Gear-Up III; Department of Education
- Gear-Up IV; Department of Education
- CAMP 2; Department of Education
- MRI: 400 Mhz Nmr Spectrometer; National Science Foundation
- Precipitation Science; NASA

Grant Close-out Programs
- STEM Recruitment, Retention and Graduation; Department of Education
- MSI Models of Success; University of Texas at El Paso
- Upward Bound Math & Science; Department of Education
Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, grant and contract award criteria 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.

Audit Team

Dick Dinan, CPA, Director
Kim Rutledge, CIA, Audit Manager
Chesney Cote, CPA
Whitney Glenz

Distribution List

Dr. Ray Keck III, President
Mr. Juan Castillo Jr., Vice President for Finance and Administration
Dr. Pablo Arenaz, Provost and Vice President for Academic Affairs
Dr. Julio Madrigal, Executive Director of Special Programs
Ms. Elizabeth N. Martinez, Associate Vice President for Administration
Dr. Jeffrey M. Brown, Dean of Graduate Studies and Research
Mr. Juan Cisneros III, Director of Grants and Contracts
WEST TEXAS A&M UNIVERSITY

Review of Health, Safety, and Environmental Management

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

Overall, the controls established over health, safety, and environmental management at West Texas A&M University are effective in providing reasonable assurance that a safe environment exists for students, employees, and visitors in compliance with applicable laws and policies except in the area of employee safety training. Improvements are needed to ensure required safety training is completed in a timely manner. Opportunities for improvements were also noted in the areas of fire and life safety inspections, student travel, and standard operating procedures.

Summary of Significant Results

Employee Safety Training

Employee safety training was not completed timely for hazard communication (HazCom) and bloodborne pathogen (BBP) exposure. Testing of safety training records indicated that 10 of 16 (63%) newly hired employees tested completed required HazCom training more than 30 days after their hire date, and 9 of 80 (11%) employees tested completed required BBP training more than 30 days after the assigned due date.

In addition, the university’s Hazard Communication Program and Bloodborne Pathogens Exposure Control Plan are primarily focused on academic and research employees and do not include a listing of all university job classifications that have potential exposure to these hazards to ensure these employees receive required safety training. Without a strong safety training program, there is an increased risk of injury to employees associated with their job duties.

Summary of Management’s Response

West Texas A&M University agrees that the controls established over health, safety, and environmental management at the university are effective in providing assurance that a safe environment exists for students, employees, and visitors. Opportunities for improvement related to Hazard Communication and Bloodborne Pathogens Exposure Control Plan are also noted.
Pathogens Exposure Control Plan training, as well as areas of fire and life safety inspections, student travel, and expansion of current standards of operating procedures are recognized and improvements will be implemented as noted in each specific management response.

Detailed Results

1. Employee Safety Training

Employee safety training was not completed timely for hazard communication (HazCom) and bloodborne pathogen (BBP) exposure. Testing of safety training records indicated that:

- Ten of 16 (63%) newly hired employees tested completed required HazCom training more than 30 days after their hire date. HazCom training is assigned to new employees during employee orientation which is sometimes postponed due to a low number of new employees or scheduling conflicts. Chapter 502 of the Texas Hazard Communication Act states that an employer shall provide training to a new or newly assigned employee before the employee works with or in a work area containing a hazardous chemical. The university indicated it began assigning the A&M System Hazard Communication training course to all new employees immediately upon their hire in January 2014.

- Nine of 80 (11%) employees tested completed required BBP training more than 30 days after the TrainTraq due date. While the university's BBP Exposure Control Plan requires initial training, subsequent refresher training is only required within two years which is not in compliance with annual refresher training requirements mandated by state and federal laws. The university updated the plan in January 2014 to begin requiring annual refresher training.

In addition, the university's Hazard Communication Program and BBP Exposure Control Plan are primarily focused on academic and research employees and do not include a listing of all university job classifications that have potential exposure to these hazards to ensure employees receive required safety training. Texas Administrative Code Title 25, Part 1, Chapter 96, Bloodborne Pathogen Control states that the exposure control plan should be analogous with Title 29 Code of Federal Regulation 1910.1030, Occupational Safety and Health Administration which requires that the plan include a list of all job classifications in which all employees in those job classifications have occupational exposure. Without a strong safety
training program, there is an increased risk of injury to employees associated with their job duties.

**Recommendation**

Increase monitoring of employee safety training to ensure employees complete HazCom and BBP training in a timely manner. Revise the current Hazard Communication Program and Bloodborne Pathogens Exposure Control Plan to focus on all university employees and ensure these plans are in agreement with A&M System regulations, and state and federal law.

**Management’s Response**

As of January 2014, all university employees have been assigned HazCom training, including all newly hired employees. Records and monitoring will occur on TrainTraq and training will automatically be assigned for renewal every two years. As of January 2014, BBP training was converted from a two-year required training rotation to a one-year required training rotation for all qualified employees as applicable to Texas Administrative Code 25, Part I, Chapter 96 (a finding that the university self-identified to System Internal Audit). The current AR-EHS SOP 24.01.01.W1.15AR Bloodborne Pathogens Exposure Control Plan will be updated to focus on all university job classifications that have occupational exposure, to include the groups of employees identified as deficit in the audit that are outside the scope of research and teaching laboratories. Completion of training will be required within 20 days of assignment. The update will be completed by December 31, 2014.

2. **Fire and Life Safety Inspections**

   Although regular fire and life safety inspections are performed, **improvements are needed to the inspection process.** The university's Environmental Safety Office performs monthly inspections of all fire extinguishers, emergency lights, and exit lights on campus. This office also performs annual fire and life safety inspections of the university's academic and auxiliary buildings in the spring and the residence halls in the summer using a fire and life safety inspection checklist. Although regular fire and life safety inspections are performed, the following improvements were noted during test work:

   - Formal, comprehensive inspection reports are not prepared for fire and life safety inspections of the academic and auxiliary buildings. It was stated that the Environmental Safety Office is in the process of working with the
software vendor to get the buildings' reporting function operational within the Inspect N Track software system.

- Safety deficiencies identified are considered to be either life threatening or non-life threatening. Non-life threatening deficiencies are not formally tracked and followed up to ensure they have been addressed until the next annual safety inspection.

- One of 15 prior safety deficiencies selected could not be tested due to insufficient documentation of the location of the deficiency. Five of the remaining fourteen (36%) non-life threatening safety deficiencies tested had not been corrected at the time of audit fieldwork which was approximately 10 months after the initial inspections were performed. It was stated that in some instances the outsourcing of facilities’ services to Southeast Service Corporation (SSC) has slowed the work order process to ensure timely correction of fire and life safety deficiencies.

Texas A&M System Supplemental Risk Management Standards require that fire and life safety deficiencies be identified and addressed through inspections of facilities and grounds. Without an effective fire and life safety process which includes formal reporting of inspection results to all appropriate parties and timely follow-up reviews of all deficiencies identified, there is a greater risk of injury to faculty, staff, students, and visitors along with property damage.

**Recommendation**

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

Document fire and life safety inspections and follow-up inspection results with formal inspection reports addressed to appropriate university personnel such as the respective department head and upper management.

Assign target implementation dates for correcting safety deficiencies identified based upon the stated safety risk and formally track all safety deficiencies identified, including the State Fire Marshal Inspection report findings. Provide regular status updates of corrective actions taken to address these deficiencies and schedule follow-up visits based on the stated target implementation dates to ensure appropriate corrective actions have been taken. Inform upper management of deficiencies that are not corrected in a timely manner.
Management’s Response

Formal/Deficiency reports are submitted to the Director of Residential Living and the Vice President for Business and Finance. Commencing September 1, the Formal/Deficiency reports will also be submitted to the Vice President for Research and Compliance. The last report for (16) campus buildings was submitted on March 11, 2014 to the Office of the VPBF. The report cited required corrective actions to be handled by SSC/Physical Plant. Monitoring of corrective actions by the Environmental Safety Office commenced the week of July 1, 2014. The Environmental Safety Office submitted five building inspection reports to Residential Living for corrective actions on May 19, 2014. Follow-ups for cited buildings commenced the week of July 14, 2014. The remaining (six) building inspections for Residential Living commenced the week of July 21, 2014.

A report of all areas inspected and status of any deficiencies remaining will be submitted for both campus and residential buildings by August 31, 2014.

The Office also field tested the Inspect N Track Program with an iPad device during the month of June 2014. Moving forward the Inspect N Track program will allow us to have reports ready for dissemination electronically to the designated department within a very short time frame from the actual inspection. Target implementation dates will be provided to units with identified deficiencies and timely monitoring will be scheduled to ensure appropriate corrective actions have been taken. Upper management will be notified of deficiencies that are not corrected in a timely manner. Target date for implementation is October 31, 2014.

3. Student Travel

Instances of noncompliance with university student travel rules and procedures were noted during a review of student travel documentation. For fifteen student trips tested, noncompliance with current student travel safety requirements were noted as follows:

- One (7%) student trip did not have a complete set of the documentation available for review to ensure that the student trip was in compliance with university procedures.

- Three (20%) student trips did not have documentation that the trip requests were submitted to the Office of Student Activities or did not have the Director of Student Activities signature two weeks prior to the travel as required by the university’s student travel procedures.
• One (7%) student trip did not have the required approvals for the employee to drive a university-owned vehicle.

Student travel is decentralized among several departments and the university does not maintain a comprehensive, centralized listing of all student travel trips to better facilitate monitoring of these trips. In addition, there is no stated records retention period for student travel records.

**Recommendation**

Comply with university rules and procedures related to student travel.

Develop a comprehensive listing of all student travel trips (that includes pertinent information) to enhance monitoring controls over these trips.

Provide additional training to employees, student organizations, and groups to ensure they understand all university rules and procedures governing student travel (especially to ensure that all student travel has university approval in a timely manner prior to the trip).

Develop checklists for departments to use when planning student travel to better ensure that all required forms and driver safety procedures are completed. Include stated records retention requirements for these forms and other student travel documentation and periodically review this documentation for compliance.

**Management’s Response**

*A university-wide committee, co-chaired by the Assistant VP for Student Affairs and the Vice President for Research and Compliance will address the audit finding related to student travel rules and procedures. The committee will consist of representatives from the travel office (Business Office), study abroad, athletics, student affairs, academic affairs, risk management, environmental safety, research compliance, and the University Police Department. The goal of the committee will be to review and update university Procedure 13.04.99.W1/SA Student Travel Procedure and university Rule 13.04.99.W1/SA which supplements A&M System Policy 13.04. Student travel checklists will be added for departments to use when planning student travel. Additionally, the committee will create procedures for records retention for student travel records and Clery Act reporting. Training will be implemented for employees, student organizations, and groups to ensure they understand all university rules and procedures governing student travel. Target date for implementation is December 31, 2014.*
4. **Standard Operating Procedures**

**Environmental health and safety standard operating procedures have been developed for the university but require improvement.** The university has developed Procedure 24.01.01.99.W1 “WTAMU Safety Manual” which provides extensive university-wide safety guidelines and procedures for students, faculty, staff, and visitors on campus. In addition, more detailed environmental health and safety standard operating procedures (SOPs) have also been developed. However, some areas of improvement were noted related to the SOPs as follows:

- The majority of the SOPs fall within the Academic and Research Environmental Health and Safety Program (AR-EHS). However, several of these AR-EHS SOPs have university-wide implications including those related to fire and life safety, general sanitation, mobile and heavy equipment management, asbestos management, hazard communication, and bloodborne pathogen exposure among others.

- Several instances were noted in which SOPs stated safety records retention periods did not agree with A&M System records retention policies.

Additionally, the university has divided health, safety, and environmental management duties between those associated with academic and research processes which are administered by AR-EHS. Fire and life safety and other general safety duties for the rest of the university is administered by the university’s Environmental Safety Office (ESO). In some areas there is overlap between these duties and responsibilities. Strong coordination and communication between AR-EHS and ESO is needed to ensure that oversight and guidance related to health, safety, and environmental management at the university is comprehensive and efficiently and effectively performed.

**Recommendation**

Ensure that environmental health and safety standard operating procedures are written to represent the entire university, or create a separate set of standard operating procedures for both academic and research areas and university-wide areas. Review these standard operating procedures to ensure they are current, consistent, and are written analogous to A&M System regulations, and state and federal laws including records retention periods.

Ensure that there is strong coordination and communication between AR-EHS and ESO in regards to oversight and guidance related to health, safety, and environmental management at the university.
Management’s Response

The university Environmental Health and Safety Program is currently divided between two units that report to different university offices. The Academic and Research Environmental Health and Safety (AR-EHS) unit reports to the Vice President for Research and Compliance and works to promote a safe and regulatory compliant research and teaching laboratory environment, including all research compliance committees. The Environmental Safety Office (ESO) reports to the Vice President of Business and Finance and works to promote a safe and regulatory environment related to fire and life safety. Both units will retain their compliance and safety focus areas, but commencing September 1, 2014 both units will report directly to the Vice President for Research and Compliance. This will ensure there is strong coordination and communication between the units in regards to oversight and guidance related to health, safety, and environmental management at the university. In coordination with this restructuring, all university environmental health and safety standard operating procedures will be updated to include both AR-EHS and ESO functions. Standard operating procedures are currently in place only for AR-EHS (research). The standard operating procedures will also be reviewed for compliance with A&M regulation, and state and federal laws, including records retention periods. While all standard operating procedures are updated on a two-year rotation, the consolidation will provide opportunity and need to conduct a review of the entire standard operating procedure inventory (over 66 rules/procedures). The updating and consolidation of standard operating procedures will begin in August 2014 and be completed by May 2015.
Basis of Review

Objective and Scope

The overall objective of this audit was to review the controls over health, safety, and environmental management to determine if West Texas A&M University is in compliance with laws and policies, and provides reasonable assurance that a safe environment exists for students, employees, and visitors. The review of health, safety, and environmental management at West Texas A&M University focused on laboratory safety inspections, fire and life safety inspections, hazardous chemical administration, student and employee safety training, student travel, and student activities. The audit period focused primarily on activities from January 1, 2013 to February 28, 2014. Fieldwork was conducted primarily from February to April, 2014.

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 Administrative Code; West Texas A&M University Procedures; 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.
Audit Team

Dick Dinan, CPA, Director
Brian Billington, CPA, Audit Manager
Mark Heslip
Darwin Rydl, CPA

Distribution List

Dr. Patrick O’Brien, President
Dr. Wade Shaffer, Provost and Vice President for Academic Affairs
Dr. Angela Spaulding, Vice President for Research and Compliance
   and Dean of Graduate Studies
Dr. Donna M. Eddleman, Vice President for Student Affairs
Dr. Donald R. Topliff, Dean, Agriculture, Science and Engineering
Dr. Jessica S. Mallard, Dean, Sybil B. Harrington College of Fine Arts & Humanities
Mr. Mark S. Hiner, Assistant Vice President for Business and Finance
Ms. Kathryn A. Green, Environmental Safety Coordinator
Ms. Chandini Revanna, Director, Academic and Research Environmental Health and Safety
Ms. April Swindell, Academic and Research Environmental Health and Safety Supervisor
Mr. Zack Workman, Assistant Vice President for Risk Management & Compliance
Dr. James P. Andrews, Director of External Programming
Mr. Paul H. Sweetgall, Associate Athletic Director for Compliance and Academic Services
Mr. Bill Craddock, Director of Recreational Sports
TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY

Review of Health, Safety, and Environmental Management

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

Project #20142001
Texas A&M Veterinary Medical Diagnostic Laboratory: Review of Health, Safety, and Environmental Management

Overall Conclusion

Overall, the controls established over health, safety, and environmental management at the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) are effective in providing reasonable assurance that a safe environment exists for employees and visitors in compliance with applicable laws and policies. Opportunities for improvement were noted in the areas of chemical inventory management and employee safety training.

Detailed Results

1. Chemical Inventories

Chemical inventory listings were not accurate at two of the four TVMDL labs tested. Inventories of hazardous chemicals are conducted on an annual basis; however, 12 of 38 (32%) hazardous chemicals selected for testing were not accurately updated on the chemical inventory listing. These errors and omissions occurred at the TVMDL laboratories located in Amarillo and College Station.

Without properly updated chemical inventory listings, chemicals cannot be effectively monitored for proper storage and security. In addition, there is an increased risk that excess chemicals could be procured. Chemicals tested that were properly included on the chemical inventory listing at the four TVMDL laboratories were determined to be properly stored and secured and the corresponding Material Safety Data Sheets were located in close proximity as required.

Texas A&M System Supplemental Risk Management Standards require implementation of a chemical safety program to protect students, employees, and the environment. TVMDL currently uses a combination of Texas A&M University's (TAMU) EHS Assist Program and an internal spreadsheet to track chemical inventory. TVMDL does not have administrative rights to update the TVMDL chemical inventories in the TAMU EHS Assist Program.
Recommendation

Resolve the current issues related to updating the TVMDL chemical inventory in TAMU’s chemical inventory system to ensure the inventory listing is updated in a timely manner. Consider obtaining the necessary administrative rights and training for TVMDL safety personnel to be able to update the inventory listing directly in this system.

Enhance monitoring of chemical inventories (e.g., periodic spot checks, lab inspections, etc.) to ensure chemicals listed on the inventory listing agree to the corresponding location specified. Ensure that differences noted can be traced to disposal records and that the chemical inventory listing is updated in a timely manner for these differences.

Management’s Response

TVMDL has implemented a chemical safety plan through the TVMDL Safety Manual along with standard operating procedure. The agency will manage and ensure timely updates to the chemical inventory and disposal process by utilizing controlled spreadsheets developed by the TVMDL Safety Office; target completion date: November 2014. To resolve redundancy, the TAMU EHS Assist Program will not be used for tracking chemical inventory and will be applied for Tier II reporting purposes only.

In addition to ensuring appropriate chemical storage and labeling, annual internal laboratory inspections will be expanded to include chemical inventory reviews, with checks and balances, to ensure chemicals listed agree with actual availability and that any disposed chemicals are reflected accurately; target completion date: March 2015.

2. Employee Safety Training

Improvements are needed to better ensure required employee safety training is completed in a timely manner. Two of 23 (9%) employees tested did not complete required Hazard Communication training, and two of 22 (9%) employees tested did not complete required Zoonotic Disease training by the stated due dates. In addition, TVMDL does not require supervisors at each laboratory to maintain a listing of occupational safety training required for each employee/position. Rather the supervisor at each laboratory assigns and conducts the training as they determine it is needed.

TVMDL management indicated that a listing of each position's required safety training (including position-specific) is to be included in the new QualTrax system
currently being implemented to administer safety training within the agency. This will provide management the ability to monitor safety training records, and ensure all employees receive necessary training in a timely manner. QualTrax is scheduled to be implemented in summer 2014.

Texas A&M System Supplemental Risk Management Standards require that training be provided and documented on identified health and safety hazards to affected faculty, staff, students, and visitors. Without a strong safety training program, including occupational safety training, there is an increased risk of injury to employees associated with their job duties.

Recommendation

Increase monitoring to ensure required employee safety training is completed in a timely manner.

Identify and document specific occupational safety training needs for each TVMDL employee or position, based on their specific duties and responsibilities and monitor to ensure timely completion of this training.

Continue with current plans to implement the QualTrax Safety Training module to assist in monitoring safety training requirements and completion.

Management’s Response

*The agency will develop a matrix that defines specific occupational and safety training requirements by position; target completion date: October 2014. Training will be assigned and tracked using the Qualtrax Compliance Software or TrainTraq system. Monitoring will be conducted via automated email reminders through Qualtrax and/or TrainTraq and periodic status/completion reports generated and evaluated by the TVMDL Safety Office.*

*The agency will continue to implement the training and testing modules within the Qualtrax Compliance Software System; target completion date: January 2015.*


Basis of Review

Objective and Scope

The objective of the audit was to review the controls over health, safety, and environmental management to determine if the Texas A&M Veterinary Medical Diagnostic Laboratory is in compliance with laws and policies, and provides reasonable assurance that a safe environment exists for employees and visitors. The review of health, safety and environmental management at TVMDL focused on laboratory safety inspections, fire and life safety inspections, hazardous chemical administration, safety training, and compliance with A&M System regulations. In addition to internal safety inspections, TVMDL receives safety inspections conducted by Texas A&M University and the A&M System Office of Research Compliance. The American Association of Veterinary Laboratory Diagnosticians (AAVLD) also performs a site assessment every five years which includes safety areas as part of TVMDL’s accreditation process. The most recent AAVLD assessment was performed in 2011 and was generally positive other than noting the College Station lab was at or near the end of its useful life. TVMDL is currently in design phase of a new state-of-the-art facility in College Station. The audit period focused primarily on activities from September 1, 2012 to December 31, 2013. Fieldwork was conducted from February to April 2014.

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.
Audit Team

Charlie Hrncir, CPA, Director
Brian Billington, CPA, Audit Manager
Mark Heslip
Darwin Rydl, CPA

Distribution List

Dr. William Dugas, Interim Vice Chancellor & Dean of College of Agriculture & Life Sciences; Director, Texas AgriLife Research
Dr. Tammy R. Beckham, Director
Dr. Bruce Akey, Executive Deputy Director
Mr. Jordan Brod, Agency Operations Manager
Ms. Terry Dobrovolsky, Agency Quality Assurance and Safety Manager
Ms. Pam Burn, Laboratory Safety Officer
Mr. Mike McCasland, Assistant Director, AgriLife Risk and Compliance
Ms. Stacy Morris, Chief of Staff