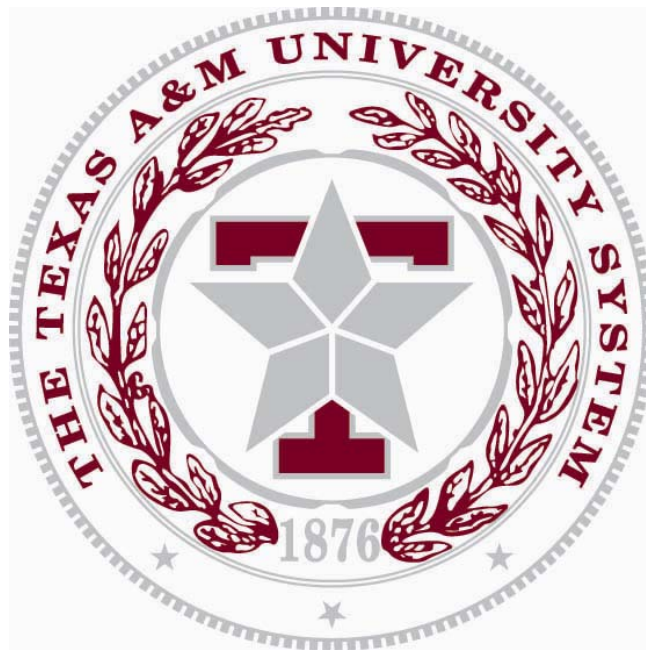


**The Texas A&M University System Internal Audit Department**

**FOURTH QUARTER REPORT  
FISCAL YEAR 2008**



September 16, 2008



The Texas A&M University System Internal Audit Department  
Fourth Quarter Report  
Fiscal Year 2008

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**TABLE OF CONTENTS**

Texas A&M University  
Review of Major Specialized Systems Development

Texas A&M International University  
Review of Housing Program Operations

Texas A&M University - Kingsville  
Review of Student Recruitment, Admissions, and  
Enrollment Management

Texas A&M University  
Review of Transportation Services Operations

Prairie View A&M University  
Review of Student Recruitment, Admissions, and  
Enrollment Management

Texas Engineering Experiment Station  
Review of Enterprise Risk Management Processes

Texas AgriLife Research / Texas AgriLife Extension Service  
Review of the Use and Administration of Purchasing Cards



# PROJECT SUMMARY

## Overview

Texas A&M University’s control processes over the development of major specialized information systems at the department level do not ensure that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. New information systems are developed and/or implemented without a development methodology being in place. This can lead to time and budget overruns, original system requirements not being met, and

<u>Table of Contents</u>	
Project Summary .....	1
Detailed Observations.....	4
Basis of Review .....	9
Audit Team Information.....	11
Distribution List .....	11

security, disaster recovery, and/or logical and physical access concerns to go unaddressed. These risks cannot be identified or addressed on a university-wide level since there is no central repository of departmental systems. Additionally, University procedures need to be updated to address the implementation of purchased information systems. Further, the University needs to require that disaster recovery plans are maintained and tested for mission-critical systems.

During the course of this review, two other areas were identified as needing improvement that were also identified in previous audits, including the need to increase the monitoring of the Information Security Assessment, Awareness, and Compliance (ISAAC) risk assessment reports and the need to increase the cooperation and collaboration across the University as it relates to information security. The recommendations for these items are currently being tracked as a part of our audit tracking process and will not be repeated in this report.

## Summary of Significant Results

### *Identification of Information Systems/Applications*

The University does not maintain a central repository of major departmental systems in use on campus. The security of these systems, especially those storing or processing confidential data, has been identified as a medium to high risk by the University. However, without a comprehensive list of systems including what category of data they maintain, the University does not know the full extent of risk it has related to these major departmental

systems. Additionally, the University department responsible for administering university-wide information security standards cannot determine the exact nature of the risk these systems pose or implement appropriate mitigating controls to ensure the confidentiality and availability of the data these systems maintain.

### *System Development*

Only one of the nine departmental systems reviewed had a formal project management process or System Development Life Cycle (SDLC) Methodology in place. Developing or implementing new systems without the use of a project management process can lead to time and budget overruns, original system requirements not being met, and security, business continuity/disaster recovery, and/or logical and physical access concerns to go unaddressed. Using a project management process helps ensure the confidentiality, integrity and availability of a new system.

### *Disaster Recovery Planning*

Four of the nine systems reviewed did not have a disaster recovery plan in place. Of the five that did have a plan, none had tested the plans regularly or documented any tests performed. Failure to properly prepare for a loss of service can result in excessive downtime that will negatively affect a department's ability to fulfill its responsibilities. In some situations, data can be permanently lost.

## Summary of Management's Response

*The University agrees that improvements are needed in the areas of systems identification, system development/implementation project management, and disaster recovery planning and testing. A combination of published standard administrative procedures, guidelines, and monitoring will strengthen these processes over departmental systems.*

## Scope

The review of major specialized systems development focused on information systems/applications being managed in departments outside of the Department of Computing and Information Services that met one of the following criteria:

- Maintains data for more than one department or maintains data outside of the department.
- Manages confidential data.

- Maintains mission-critical information.
- Alters work methods of core administrative and business processes and supports financial, personnel, or strategic decision-making.

Since a list of such systems was not available, various methods including phone calls, emails, and direct meetings were used to identify systems meeting these criterion. Ninety-four systems were identified including systems developed in-house and purchased systems. These systems were ranked according to risk with mission-critical systems and systems containing confidential information receiving a higher weighting. The audit reviewed activities from September 1, 2006 through August 31, 2007. Fieldwork was conducted from January to June 2008.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. Identification of Information Systems/Applications

### Observation

**The University does not have a central repository of major information systems in use on campus.**

The University does not maintain a central repository of major departmental information systems in use on campus. In January 2007 as a part of the University's enterprise risk management process, the risk of confidential or protected information located in decentralized areas being accessed by unauthorized users was listed as a high/medium risk. Without knowing what information systems exist and what data the systems store or process, it is difficult to determine the nature and level of risk the University has related to the security and availability of the data in these systems.

University Rule 24.99.99.M1, Security of Electronic Information Resources, designates the Information Technology Issues Management (ITIM) group as the University entity responsible for administering the provisions of this rule and of the Texas Administrative Code's Information Security Standards. Historically, ITIM has not required detailed information on departmental systems due to the decentralized nature of the University's organization as it relates to information resources. However, we identified 94 major information systems which had been developed and/or implemented by various departments. These systems included mission-critical and confidential data. The University increases its risk related to the security of information if it is not aware of these major systems.

### Recommendation

Require departments to include a list of major departmental applications as a part of the annual ISAAC process. Prepare a university-wide list of all major applications along with the level of risk for each application. Implement controls to address the highest risk areas. Controls could vary from a network scan to a more in-depth review.

Develop a university-wide definition of "major application" and include in the University's standard administrative procedures.

## Management's Response

---

1. Identification of Information Systems/Applications (cont.)

*ISAAC will be modified to require identification of major departmental applications prior to the start of the next reporting season, February 29, 2009. ITIM will prepare a university-wide list of all major applications along with the level of risk for each application as ISAAC reports are received. Controls, such as network and application vulnerability scans, will be defined to address the highest risk areas by November 30, 2008 and implemented by the network security team within Networking and Information Security as high-risk systems are identified.*

*A standard administrative procedure will be created to define "major applications" and reporting requirements. The standard administrative procedure (SAP) will be drafted by November 30, 2008 with anticipation of being approved and posted by February 29, 2009.*

## 2. System Development

### Observation

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**Departments, in general, do not have documented project management practices for the development or implementation of information systems.**

Only one of the nine departments whose system was reviewed had a formal project management process or System Development Life Cycle (SDLC) Methodology in place. Two of the nine systems were developed in-house and the remaining seven are considered purchased or acquired systems. New systems developed or implemented without the use of a project management process can lead to systems not being completed on time or on budget, not meeting the original needs identified, and not addressing security, business continuity/disaster recovery, and/or logical and physical access concerns. Utilizing a project management process helps ensure the confidentiality, integrity and availability of a new system.

One of the purchased systems being implemented during our review was not utilizing a formal project management process. The system has been in the implementation phase for three and a half years and was not implemented as of June 19, 2008 after missing previously set implementation dates. While some of the delays can be attributed to the vendor, approximately eleven months were lost to turnover and absence of University personnel. Also, the system has been in testing for over a year during which modifications and enhancements were identified. This is a symptom of not performing a thorough needs assessment and evaluation of the software's capabilities at the beginning of the project. Some issues such as logical access, training, and backup and recovery were also not

2. System Development  
(cont.)

addressed until the testing stage of the process instead of during the planning stage. This further delayed the implementation.

The current standard administrative procedure related to system development, 24.99.99.M1.21, Information Resources – System Development and Acquisition, requires departmental information resource owners to develop, maintain, and participate in a SDLC plan. However, this procedure only addresses software developed in-house that runs on production systems. Applications purchased from outside vendors that require configuration and possible customization are not addressed in this procedure even though the title indicates as such. Purchased applications can run into the same risks as in-house developed applications if a SDLC plan is not used, thus, costing the University time and resources.

### Recommendation

Revise Standard Administrative Procedure 24.99.99.M1.21 to include systems that are acquired from outside vendors.

Publish guidelines for the use of project management practices including different levels of project management depending on the cost and complexity of the system involved.

Monitor the development or implementation of “major applications” to ensure that a project management process is being used in accordance with the revised standard administrative procedure.

### Management’s Response

*Changes to Standard Administrative Procedure 24.99.99.M1.21 will be drafted by February 28, 2009 to include systems that are acquired from outside vendors with anticipation of being approved and posted by May 31, 2009.*

*Guidelines for project management best practices for system implementations of varying cost and complexity will be published by February 28, 2009 giving due consideration to principles established by the Texas Department of Information Resources.*

*The ISAAC review process will be used to contact units with major applications to monitor the use of a project management process and provide assistance and feedback starting August 31, 2009.*

### 3. Disaster Recovery Planning

#### Observation

**Departments either do not have a documented disaster recovery plan or their plan has not been tested and the results documented.**

Only five of the nine systems reviewed had disaster recovery plans in place, and none of the disaster recovery plans had documentation of regular testing of the plan. While all of the systems did have some type of data backup system in place, seven of the nine did not test their backup devices or did not document any tests that had been performed. Creation of disaster recovery plans and the testing and documentation of tests require effort on the part of the system custodians and owners. Generally, these activities do not contribute to day-to-day operations and therefore often receive a lower priority. Also, there is no standard administrative procedure to address disaster recovery planning although it is mentioned in University Rule 24.99.99.M1 as being a part of the ISAAC process. Texas Administrative Code 202.74 addresses requirements for business continuity planning including specific elements of a disaster recovery plan and how often it should be tested.

Failure to properly prepare for a loss of service can result in excessive down time that will negatively affect a department's ability to fulfill its responsibilities. In some situations, data can be permanently lost.

#### Recommendation

Require that departments maintain a disaster recovery plan for mission-critical systems and that the plan be tested on a regular basis. Document tests conducted for both the disaster recovery plan and backups.

#### Management's Response

*University Rule 24.99.99.M1 will be supplemented by a SAP to clarify the requirement for departments to maintain a disaster recovery plan for mission-critical systems and that the plan has been tested on a regular basis. The SAP will be drafted by November 30, 2008 with anticipation of being approved and posted by February 28, 2009.*

*Both ISAAC and the ISAAC review process will be updated to monitor compliance. By August 31, 2009, the first use of the modified ISAAC will be completed and the modified ISACC review process will be in place.*

## 4. Change Controls

### Observation

**Five of the eight production systems reviewed did not have documented change control processes.**

Of the eight systems reviewed that were in production, six did not have documented change control processes even though all eight stored or processed mission-critical and/or confidential information. The absence of a formal change control process increases the risk of unintended changes, unexpected service disruptions, extended unavailability of the system and, in extreme cases, data loss or corruption. Texas A&M University Standard Administrative Procedure 24.99.99.M1.07, Information Resources – Change Management, states that a consistent process is to be used for the implementation of information resource changes and lists certain change details that require documentation. The administrators of these systems indicated they were not aware of the University's standard administrative procedure even though it is addressed in the ISAAC risk assessment.

### Recommendation

Review change controls as a part of the overall ISAAC monitoring process.

Publish guidelines for change management practices including different levels of controls depending on the complexity of the system.

### Management's Response

*Computing and Information Services will publish guidelines for change management practices by February 28, 2009 and ITIM will monitor effectiveness through the ISAAC review process starting August 31, 2009.*

## BASIS OF REVIEW

### Objective

Review controls over the development of major specialized information systems within the University to determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules. Determine whether controls are in place to ensure that these systems and their data are properly secured and remain available for operations in the event of a disaster.

### Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; the Texas Administrative Code (TAC) 202 and 216; the Family Educational Rights and Privacy Act (FERPA); the Treadway Commission's Committee of Sponsoring Organization's Internal Control - Integrated Framework (COSO); and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

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

### Background

The University's computing resources consist of a centralized component under the Vice President and Associate Provost for Information Technology, including the Department of Computing and Information Services, the Department of Networking and Information Security, and decentralized components in approximately 170 departments university-wide. Computing and Information Services is responsible for providing computing resources, services, and support to Texas A&M University students, faculty, and staff, as well as members of the Texas A&M University System. Networking and Information Security (NIS), which contains the Information Technology Issues Management (ITIM) group, maintains and

manages the University's network infrastructure and administers information security strategies, procedures, and practices. NIS serves as the point-of-contact for information security-related issues on campus. Individual departments are allowed to maintain their own computing resources with the department heads being ultimately responsible for ensuring that an appropriate security program is in effect and that compliance with University rules and TAC standards is maintained.

## AUDIT TEAM INFORMATION

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# PROJECT SUMMARY

## Overview

<u>Table of Contents</u>	
Project Summary.....	1
Detailed Observations.....	4
Basis of Review.....	11
Audit Team Information.....	12
Distribution List.....	12

| Texas A&M International University’s control processes over on-campus housing operations do not ensure that the financial performance of the facilities meet expectations. Neither of the two facilities met their financial obligations for fiscal year 2007. Improvements are needed in the billing and collection of housing payments to increase the efficiency and effectiveness of operations. The need for improvements was recognized by University management who in turn requested this audit to help identify opportunities for improvement.

The University has two housing facilities on campus. The University Village (UV) is privately owned and the Residential Learning Center (RLC) is owned by the University. Both facilities are managed by an outside property management company, American Campus Communities (ACC), who is also the owner of the UV. The two housing facilities combined provided approximately 308 living units with 686 bed spaces for student housing. Total revenue for housing operations for fiscal year 2007 was \$2.5 million.

## Summary of Significant Results

### *Housing Billings and Receipts*

| Operational processes for accepting and posting student housing payments are not efficient. The complexity of the arrangement between the University and American Campus Communities (ACC) creates an increased risk of inaccurate records. Payments are accepted at multiple locations that do not use the same electronic record-keeping system and are staffed by either University or ACC employees. Lack of consistency when handling payments contributes to decreased customer service and inefficient processes, as well as an increase in errors. The lack of a reconciliation of the two systems has created inaccurate records maintained in two separate systems.

### *Overall Financial Condition*

The University owned facility, Residential Learning Center (RLC), has not been financially self-sufficient since being built. Auxiliary reserves have been required to cover prior interest debt service payments. Fiscal year 2008 was the first year of principal payments for the RLC being applied to the debt service. The management and budgeting has been outsourced to ACC and changes in personnel have been made over the last several years. Projected revenues and expenses show the project to break even, but actual performance has not matched those expectations. As the facility begins to age, deferred maintenance will also need to be addressed.

### Summary of Management's Response

*Texas A&M International University's management team recognized opportunities for improvement in the on-campus housing operations and requested internal audit's assistance with identifying program weaknesses and possible solutions.*

*Many of the problems with the management of the housing facilities and record-keeping arose from the transition of the previous student computer system to Banner. The implementation of this new system in August 2006 required a significant number of manual, "electronic connections" between the University's FAMIS financial system and Banner. Additionally, turnover in both University and American Campus Communities' (ACC) staff also contributed to a strain on our already limited human resources. As a result, reconciliations which should have been performed were put off, and the inefficiencies discovered arose.*

*Banner has been operational for two years now, and with stable staffing on both the University and ACC side, we believe we are poised to correct and improve the housing operations. As discussed in our management response sections below, we have already begun implementing changes which we believe will address the concerns raised and will make the on-campus housing operation more efficient. Among these changes are the designation of Banner as the official system of record, the designation of the housing facilities as the sole collection point for housing-related charges, a more aggressive approach to handling outstanding balances, the timely chargeback billing of all utilities, and a reconciliation of the accounts previously used to record student deposits.*

*Texas A&M International University's management is committed to ensuring sound fiscal management of all campus operations, and*

*we sincerely thank the internal audit team for their time in assisting us with this endeavor.*

### Scope

The review of housing operations included gaining an understanding of each significant housing activity, with additional focus on the payment receipt process. Transactions were reviewed from September 1, 2007 through April 30, 2008. Fieldwork was conducted from April to June 2008.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. Housing Billings and Receipts

### Observation

**Housing charges and payments are recorded in two financial systems which are administered by the University and ACC separately.**

Housing charges and payments are posted in two separately administered systems. American Campus Communities (ACC) uses the MRI property management system and the University uses the Banner student system. The hybrid arrangement for owning and outsourcing the management of housing operations for the University is complex. Formalized procedures and responsibilities are not documented to provide accountability and timelines. Residents are allowed to pay housing charges at the University Business Office or at either housing facility. Housing revenues for the Residential Learning Center (RLC) are maintained by the University and the monthly budget is transmitted to ACC for management costs. Housing revenues for the University Village (UV) are maintained by ACC, and any funds received by the University are periodically remitted to ACC. A complete reconciliation of the two systems, by current ACC and University Business Office staff, has not been performed to determine the accuracy of student accounts.

The complexity of this arrangement has created numerous differences in student accounts between the MRI system and Banner resulting in students being given inaccurate account balance information and in some cases being inappropriately charged a late fee. Payments are not posted to the systems timely due to transfers and multiple parties handling the payments. Of the 60 accounts reviewed, 31 accounts had differences in charges, receipts or balances between MRI and Banner. This has resulted in numerous resident complaints and affects the overall financial information on which operational and budgeting decisions are based.

### Recommendation

Designate either the MRI or the Banner system as the official system of record for rent charges and payments, both at the RLC and UV.

Designate either the dorms or the University Business Office as the only place to accept payments.

1. Housing Billings and Receipts (cont.)

Create documented processes, responsibilities, and timelines. Make all parties aware of these processes and enforce timelines for better accountability.

Determine if contract changes are needed based on any new processes implemented.

### Management's Response

*We agree with the recommendation that one financial system should be designated as the official system of record, and we have selected the University's Banner system since this system provides real-time account balances to students via the web. Additionally, charges posted to this system will place a "hold" on all incoming payments and financial aid enabling more efficient collection of all outstanding student balances.*

*The initial implementation of Banner did not permit ACC to reflect all pertinent charges resulting in their reliance on MRI – the ACC internal accounting system. As of this writing, Banner has been modified to allow for the entry of utility, damage, administrative, security deposit, and late fee charges. University management met with ACC management following these modifications to Banner, and all parties agreed that Banner would be the official system used.*

*Additionally, to avoid confusion, the housing facilities have been designated as the sole collection point for all student housing-related payments. Financial aid will automatically be applied to all outstanding balances. Payments accepted at the housing facilities will be receipted into Banner at the time of payment and the funds will be remitted to the University business office by 4:30 p.m. each afternoon. We expect to begin training ACC employees on the use of Banner in late September, and expect to have this training completed by November 30, 2008.*

*Following a meeting between University and ACC management, the processes discussed above were formalized and copies of these procedures have been distributed to University and ACC personnel. At this time, contract changes are not required based on the agreed-upon changes to our procedures.*

## 2. Overall Financial Condition

### Observation

**The housing facilities have not generated sufficient revenues to cover the expenses. Deficits are being covered by other auxiliary funds.**

Neither of the University's housing facilities have generated sufficient revenues to cover their expenses. The RLC, which is a University owned facility, has not been financially self-sufficient since being built in 2005. While the RLC does generate sufficient funds to meet the operating budget, auxiliary reserves have been required to cover prior interest debt service payments. Fiscal year 2008 was the first year of principal payments being applied to the debt service. The UV, an ACC owned and operated facility, has also struggled to operate at a profit, which prompted ACC to waive its management fee in the short term.

Lower than expected occupancy numbers and an inability to collect student receivables have been the primary factors causing this financial condition. As of May 31, 2008, year-to-date bad debt expense was \$98,000 in the RLC, approximately \$90,000 over what was budgeted. Occupancy goals, 95% for the UV and 97% for the RLC, are being budgeted based on benchmarks from other ACC properties and not historical occupancy rates. Although both facilities began the school year close to capacity, occupancy rates as of May 9, 2008 were 77% for the UV and 75% for the RLC.

Using other auxiliary funds to cover housing deficits places a burden on the other auxiliaries and results in funds not being spent on their intended purpose. Auxiliary services such as housing operations are, by definition, designed to, at a minimum, break even on a yearly basis and not require additional support.

### Recommendation

Continue to work with ACC to identify new ways to increase occupancy throughout the school year and decrease bad debt expense.

Base budgeted occupancy numbers on historical figures in order to have more reliable information for budgeting purposes and financial decision-making.

### Management's Response

*We agree with the observation that the inability to collect student receivables has been one of the primary factors causing the current financial condition. Part of this has been caused by the University's strong commitment to student success. Students who live on*

2. Overall Financial Condition  
(cont.)

*campus are typically more successful, and with a large population of first generation college students, the University has historically been reluctant to aggressively pursue student housing receivables.*

*Although the University remains committed to assisting its student population, management realizes this must be balanced with an adherence to best business practices and student accountability for their financial decisions. As noted in point 1 above, we believe using the Banner system will assist with student collections in several ways. First, as charges accrue and are added to the student accounts, a more accurate current balance will be available when viewing an account online or at the Bursar's office. In addition to this, however, students who allow their accounts to become delinquent will be unable to register or request transcripts until the outstanding balance is taken care of.*

*This summer, in an effort to increase occupancy, student success held its first overnight freshman orientation affording incoming students an opportunity to experience dorm life. ACC was instrumental in this endeavor and has taken advantage of the orientation by not only providing students with campus housing information, but also by following up with those students via direct mail. As of this writing, the University Village has an occupancy rate of 96.4% while the Residential Learning Community is at 93.1%.*

*University management met with ACC regional management on August 12, 2008, and it was decided that monthly conference calls and a minimum of one face-to-face meeting per semester would be beneficial. Although we anticipate meeting with our local ACC management more frequently, the conference calls will include regional level ACC management to address any customer service issues or concerns. During this meeting, ACC management also agreed to use historically based occupancy figures to develop a more realistic budget starting in fiscal year 2009. The budget for fiscal year 2009 was completed on September 4, 2008.*

### 3. Utility Billings

#### Observation

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**Invoices for utility billings are not issued timely.**

Utilities, including electricity, natural gas, and cable, are procured through the University who in turn bills ACC for that portion of the charges attributable to housing. The University's invoices for utility services are not being issued to ACC in a timely manner. For January through March's electricity and natural gas charges, the average time between the University receiving an invoice from the service provider and issuing an invoice to ACC was 63 days. On average, ACC remitted payment within 12 days of receiving the

3. Utility Billings  
(cont.)

invoice. The cable billings for the same three-month period were combined into one invoice and issued 36 days after the last bill was received by the University.

Procedures and resources are not in place to ensure that invoices are prepared in a timely manner. Invoicing for utilities is based on in-house meter readings and under the sole responsibility of the University. Cable service billing was due to a misunderstanding of the operating budget and actual cost of service. This results in the University foregoing the use of funds for services provided, and essentially they are extending credit to ACC. Prudent management practice is to recover, as quickly as practical, all expenses and billings for services on a monthly basis.

Recommendation

Establish an effective process to invoice ACC for electricity and natural gas on a monthly basis.

Resolve the budgeting error for cable service which resulted in the shortage of funds and establish an effective process to invoice ACC.

Management's Response

*We agree that an effective process to invoice ACC for electricity and gas on a timely basis is needed. As of this writing, we have formulated such a policy and we expect to have it fully implemented no later than the end of the first quarter (November 30, 2008).*

*Specifically, all utility meters (two electric and one natural gas) will be read each month by University central plant staff. The meter readings will be turned in to the physical plant office where the charges will be calculated and sent to the business office for billing. The electricity charge calculation will be prepared and delivered to the business office after the meter reading based on the contracted price of electricity. Due to the variable cost of natural gas, this charge calculation will be prepared after receipt of the natural gas provider bill and delivered to the business office. Due to the fixed cost of cable, this invoice will be prepared by the business office on a monthly basis. All invoices (electricity, natural gas and cable) will be delivered to ACC management in a timely manner each month.*

## 4. RLC Deposits

### Observation

**Funds for security deposits are still maintained by the University even though this function was transferred to ACC two years ago.**

When the RLC was initially opened, the University managed the facility and was responsible for collecting residents' security deposits. When ACC was hired to manage the facility approximately two years ago, the University made the decision to also let ACC handle the security deposits. To facilitate this, the University attempted to transfer the existing security deposits to ACC. During this process, they discovered that records had not been maintained to track which residents had paid their deposits and if any had already received refunds. An initial amount was transferred to ACC based upon a current resident listing. A net balance of approximately \$18,000 still remains on the University's books for resident security deposits for which no records exist. Housing residents seeking refunds of security deposits must determine where their housing deposit is being held and request the refund.

When the University was initially receiving the security deposits, they used three different account controls to record the receipts which in total account for the current balance of approximately \$18,000. When refunding the deposits and transferring funds to ACC, the funds were charged to the incorrect account controls resulting in negative balances in two of three.

Inefficiencies in refunding student security deposits because of poor University records reflect negatively on the University and ACC. It is prudent management practice to resolve discrepancies in the accounting records to ensure accuracy and to facilitate communications, monitoring and reporting.

### Recommendation

Combine the three account controls used for housing resident's security deposits into one account control with a credit balance.

Coordinate with ACC to transfer funds to cover expected housing security deposit refund requests and damage charges. Transfer any remaining funds to an appropriate account control.

### Management's Response

*We agree that the three account controls used for security deposits need to be combined into one. Part of the original confusion arose because ACC would submit deposits to the Bursar's office without documentation to indicate which students had paid. The problem*

---

4. RLC Deposits  
(cont.)

*was further compounded because there was not a “security deposit” code in either the old student information system or Banner. As a result, security deposits were often reflected as received in the ACC system, but not in the University’s system.*

*The security deposit code has now been created in Banner, and the housing facilities are now the sole collection points for all housing-related fees. The \$18,000 net balance is not a true balance. It is believed many fees assessed against students for damages and other security deposit forfeitures were never charged off against the security deposit fees since ACC did not previously have a way to post such fees in Banner. The University has combined the three account controls and has transferred the net balance to a contra expense account to offset the original security deposit liability.*

## **BASIS OF REVIEW**

### Objective

The basis for this review was to evaluate the University's housing programs operations. Assess the extent to which the program operations provide for availability, quality, efficiency, desired level of services to the students, and contract performance monitoring. Texas A&M International University students spent approximately \$1.9 million on housing in fiscal year 2006.

### Criteria

Our review was based upon standards as set forth in the System Policy and Regulation Manual of The Texas A&M University System; the Treadway Commission's Committee of Sponsoring Organization's Enterprise Risk Management – Integrated Framework; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

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

### Background

Texas A&M International has a hybrid arrangement for owning and managing housing facilities for students. The University provided a land lease for a housing facility, University Village, to be built and managed by American Campus Communities (ACC). A second housing facility, Residential Learning Center (RLC), was built in 2005 and initially managed by the University. The University decided in 2006 to outsource the management of the RLC to ACC. The two housing facilities combined provided approximately 308 living units with 686 bed spaces for student housing. Total revenue for housing operations for fiscal year 2007 was \$2.5 million.

## AUDIT TEAM INFORMATION

### Auditors Assigned to the Review

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## PROJECT SUMMARY

### Overview

<u>Table of Contents</u>	
Project Summary.....	1
Detailed Observations.....	3
Basis of Review.....	9
Audit Team Information.....	11
Distribution List.....	11

The recruiting, admissions, and enrollment management processes established by Texas A&M University – Kingsville have not been effective in meeting the University’s enrollment goals. Undergraduate student enrollment has declined at the Kingsville campus approximately 14% since fall 2004, limiting the University’s ability to contribute to the “Closing the Gaps” initiative established by the State of Texas to increase higher education of our citizens. The University recently made changes in recruiting and enrollment

management processes; however, additional time is needed to see the impact of the most recent changes. Addressing the declining enrollment issue is a university-wide challenge. Effective university-wide communication and coordination of recruitment and retention efforts and effective performance measurement systems are necessary to increase the likelihood of achieving enrollment goals. Some opportunities for improvement also exist in controls over information technology and contract approvals.

Fall 2007 enrollment at the Kingsville campus was 5,578 students, a decrease of 9% from fall 2004. During this time period, graduate student enrollment increased 4.4% and undergraduate student enrollment decreased 13.75%. Although undergraduate enrollment at the main campus in Kingsville has been declining over the past several years, the University is experiencing enrollment growth at the San Antonio campus.

### Summary of Significant Results

#### *University-wide Coordination and Communication*

Coordination and communication weaknesses exist in the student recruitment and retention efforts. Decentralized processes for recruiting and retaining students need to be coordinated and communicated at a university-wide level to reduce the risk that student recruitment and retention issues are not effectively addressed. A strong governance structure and executive management support are essential for the success of university-

wide coordination and communication efforts to achieve the University's enrollment goals.

### *Performance Measures*

The Office of Enrollment Management has established specific recruiting and enrollment goals designed in alignment with the University's enrollment targets. However, the admissions and recruiting offices which report to the Office of Enrollment Management have not fully developed more specific performance measures for their departmental processes or the recruiters. Without effective performance measures that are communicated to the employees, management does not have the information to determine if the office or staff is productive and achieving the departmental goals and objectives necessary to meet the University's enrollment targets.

### Summary of Management's Response

*All of the issues and recommendations that are presented in the audit report have been addressed and/or will be addressed in a timely fashion. All issues that are still pending will be addressed by February 28, 2009.*

### Scope

The review of enrollment management at Texas A&M University – Kingsville focused on recruiting, admissions, and enrollment management processes for the period September 1, 2006 – March 31, 2008. Areas reviewed included enrollment management and recruiting, admissions, and retention efforts. Fieldwork was conducted from March through May, 2008.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. University-wide Coordination and Communication

### Observation

---

**Strengthening university-wide coordination and communication is needed to improve student recruitment and retention efforts.**

Coordination and communication weaknesses exist in the customer satisfaction surveys and student retention efforts at the college and department level. Information from surveys is useful for evaluating and developing effective recruitment and retention strategies.

The University performs student surveys that assess customer satisfaction with a variety of campus services and initiatives; however, the surveys are not centrally coordinated, interpreted, and communicated to provide the most useful information to executive management for decision-making purposes. Some university-wide surveys are performed through the Office of Institutional Research while other surveys are performed at the college level. More centralized oversight to provide consistent interpretation, analysis, and communication of survey results would provide additional and more consistent information to management throughout the University. More coordination and sharing of survey information may prove useful to meet current enrollment targets.

The University has decentralized processes for intervening with non-freshmen, undergraduate students that fall into scholastic probation status (GPA below 2.0). The Registrar's Office sends end-of-term performance reports to each college, but does not automatically post any type of advising blocks for students on probation. The University has focused retention efforts on incoming freshmen and students in developmental courses. These efforts are coordinated through University College. Each of the other colleges is responsible for intervening with their non-freshmen students in scholastic probation status. The colleges each have some processes in place; however, they are not consistent. Some colleges appear to be more aggressive in intervening with students with grade problems. In addition, successful strategies at one college are not necessarily applied at other colleges.

Decentralized processes do not provide assurance that all available information is coordinated, interpreted, and communicated to all the parties that need the information. Students may not understand the consequences of their academic decisions and may need an advisor to help them choose the right courses and/or how many and when

1. University-wide  
Coordination and  
Communication (cont.)

to take courses to make satisfactory academic progress. Early intervention with students that fall into scholastic probation impacts student retention rates. Students that do not meet grade standards are in danger of losing their financial aid and/or being placed on enforced withdrawal. Without financial aid, many students will not be able to return to school for an additional term to bring their grades up to acceptable levels.

A strong governance structure and executive management support is needed to ensure university-wide coordination of retention efforts. Although deans throughout the University may be in agreement on the importance of retention efforts, central oversight and monitoring is required to ensure consistency and timely sharing of best practices and proven, effective strategies across the campus.

### Recommendation

For student recruiting and retention efforts, establish processes for university-wide coordination and communication. Review customer surveys conducted at the University and establish centralized oversight responsibility for coordinating, interpreting, and communicating results. Establish a process with some level of central oversight for intervention efforts with students that fall into scholastic probation status.

### Management's Response

*The communication concerns that are expressed in the audit report regarding recruitment and retention are already being addressed by the Interdivisional Working Group. The Interdivisional Working Group includes all the Vice Presidents and the Dean of University College who coordinates the University's retention efforts. This group was inactive at the time of the site visit because of a personnel change in the position that normally convened the meetings. The Interdivisional Working Group has resumed its meetings.*

*Coordination and expansion of student surveys is being addressed. The Interdivisional Working Group will discuss and approve appropriate procedures for the coordination and dissemination of survey data to the campus community during their next meeting. Processes and procedures will be in place by February 28, 2009.*

*The academic program is establishing policies and procedures to intervene and provide assistance for students that fall into scholastic probation. The new policies and procedures will be in place by February 28, 2009.*

## 2. Performance Measures

### Observation

**Departmental performance measures do not support recruiting and enrollment goals.**

The Office of Enrollment Management has established specific recruiting and enrollment goals designed in alignment with the University's enrollment targets. However, the admissions and recruiting offices which report to the Enrollment Management Office have not fully developed more specific performance measures for their departmental processes. The recruiting office has eight performance measures; however, five of them are not designed to effectively measure achievement of recruiting goals. For example, one of the measures states that "Publications will be reviewed and reordered yearly." While this is an important task, it does not measure the performance of the office towards achieving recruiting goals and targets. Measures should provide feedback on recruiting yield and on other means of determining the success of specific strategies used. For example, high school contact data could be compared to actual enrollments to measure the effectiveness of current recruiting efforts.

Timeliness of application processing was determined to be an important issue in competing with other universities for students. Prior management may have established specific goals and performance measures, but they were not communicated to the admissions office personnel involved in application processing. Employees were not aware of processing time targets and their importance in the overall achievement of recruitment goals. Awareness of timeliness targets and their importance helps employees take a more critical look at current processes for ways to make improvements in efficiencies.

Without effective performance measures that are communicated to the employees, there is no mechanism for management to correlate specific recruiting and admissions processing efforts to related outcomes and enrollment targets. Monitoring the achievement of performance measures provides management the information to determine if the office and individual staff are productive and achieving the goals and missions that have been set by the Enrollment Management Office.

### Recommendation

Develop effective performance measures that are within each office of Enrollment Management in alignment and support of the University's overall enrollment goals. Ensure that each measure is specific, measurable, accountable, results-oriented, and timely

2. Performance Measures  
(cont.)

to effectively measure progress toward established goals and objectives.

### Management's Response

*Appropriate performance measures have also been established for recruiting and the application processing areas of the Admissions Office. All of the measures are aligned with the Office of Enrollment Management and the University's enrollment goals. Employee performance standards are also being developed that clearly identify the goals and performance expectations for their respective areas of responsibility. The employee performance standards will be in place no later than November 30, 2008.*

## 3. Information Technology Security

### Observation

**The Talisma software program has security weaknesses.**

Administration of the Talisma software program, a significant tool used in the University's recruiting efforts, is not in compliance with state law, A&M System regulations, and University Computing and Information Services (CIS) policies. This program is maintained and administered by Enrollment Management Office personnel. Improvements are needed in the disaster recovery plan, passwords, user access, and user application forms. The following was noted:

- The disaster recovery plan for Talisma that has been in place for almost a year has never been tested and does not identify specific recovery resources nor a contact list for emergency personnel. Without testing this plan the risk increases that the data may not be recoverable in case of a disaster. The Texas Administrative Code requires institutions of higher education to maintain a written disaster recovery plan for information resources that is tested annually and identifies recovery resources and a source for each. The recovery resource list should include any required equipment with specific requirements and software information including version and license number. The vendor's name and contact information should be included for each item on the list.
- Talisma does not currently have programming to ensure that passwords meet the required standards and are periodically changed in accordance with University CIS policies. Simple password structures increase the risk of the system data (some of which is confidential) being breached by unauthorized personnel (hacked). The University CIS Password Policy states, "passwords must be changed at least every 60 days" and "must

3. Information Technology  
Security (cont.)

have at least 8 alphanumeric characters (including at least 2 numbers not at the beginning or end of the password and a mix of upper and lower case characters). “

- Procedures are not in place to ensure that Talisma user access levels are periodically reviewed for appropriateness and access is removed for terminated employees. The University CIS Account Management Policy states that system administrators must have a documented process for removing the accounts of individuals that change roles or no longer work at the University, and “a documented process for periodically reviewing accounts for validity.”
- Also, the Talisma user application form requests personal information (social security number and date of birth) that is not needed to set up user access. The University has identification numbers used to uniquely identify all employees without exposing the employees to increased risk of identity theft.

Strong controls are necessary to safeguard the Talisma software program and secure confidential information. Annual testing of the disaster recovery plan helps to ensure the plan will actually work when needed, and the resource list will help decrease down time in the event of a disaster.

### Recommendation

Ensure that the disaster recovery plan includes a recovery list with vendor contact information and is tested and updated annually.

Ensure passwords are in compliance with University CIS policies. Create and document procedures to ensure Talisma user access levels are periodically reviewed for appropriateness and access is removed for terminated employees.

Modify the Talisma user application form to exclude requests for unnecessary confidential information such as employee social security numbers and birth dates.

### Management's Response

*The disaster recovery testing and compliance will be in place by November 30, 2008.*

*The issues identified with the Talisma recruitment software system are also being addressed. We are working with the vendor to reconfigure our system such that we can tie user access to the user access granted by CIS. Once this is achieved, we will be in full*

3. Information Technology  
Security (cont.)

*compliance. We expect to have the conversion made by November 30, 2008.*

## 4. Contract Approvals

### Observation

**Contract for developmental courses is unsigned.**

The University does not have a signed contract with Del Mar College for the Partners for Success program collaboration (developmental courses). An agreement with detailed procedures has been drafted and used for collaborative efforts between the two schools since the fall 2007 semester; however, it has not been signed by management of Del Mar College. There have been recent changes in executive management at Del Mar College. Changes in management at the University and Del Mar increases the risk that Del Mar may not honor the collaborative agreement for the Partners for Success program.

University management is responsible for ensuring that contracts are signed in a timely manner by all parties to the agreement. Without a signed agreement, the University would be unable to hold Del Mar accountable to the terms of the agreement.

### Recommendation

Obtain signed contract with Del Mar College for the Partners for Success program.

### Management's Response

*The contract was delivered for signature to the Del Mar College Interim Vice President for Instruction on Thursday, July 3. The contract will be signed by November 30, 2008.*

## **BASIS OF REVIEW**

### Objective

The objective of this review was to review the University's recruitment, admissions and enrollment management processes. Determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, rules, and Higher Education Coordinating Board requirements.

### Criteria

Our review was based upon standards as set forth in the Texas Administrative Code; the System Policy and Regulation Manual of The Texas A&M University System; the Treadway Commission's Committee of Sponsoring Organization's Internal Control - Integrated Framework (COSO); Texas A&M University - Kingsville Rules; and other sound administrative practices. The evaluation was performed in compliance with generally accepted government auditing standards and other criteria to conform with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

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

### Background

Texas A&M University - Kingsville is the oldest, continuously operating public institution of higher learning in South Texas. It opened its doors in 1925 as South Texas State Teachers College. Through the years, its programs expanded and its name changed to reflect its wider scope. It became a part of the Texas A&M University System in 1989.

The University is dedicated to serving an ethnically and culturally diverse population. The University is committed to its mission of teaching, research, and service in South Texas for the advancement of knowledge and regional development.

Most of the University's students come from South Texas, but there is wide diversity in the population, with students from more than 35 states and more than 43 countries. Eighty-two percent of students are undergraduates. Ethnically, the campus reflects the demographics of the area, with sixty-two percent of the students Hispanic, twenty-seven percent white, and five percent African American. About six percent are international students.

In recent years, the University's enrollment has been declining. The fall 2004 undergraduate and graduate enrollment was 6,166. Since then enrollment has decreased to 5,578 in fall 2007, a decrease of 9%. During this time period, graduate student enrollment increased 4.4% and undergraduate student enrollment decreased 13.75%. The University experienced its all-time high enrollment of 8,096 in 1971 and its all-time low enrollment of 5,115 in 1985. Two more recent enrollment highs occurred in 1993 with 6,520 students and 2004 with 6,175 students.

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# PROJECT SUMMARY

## Overview

<u>Table of Contents</u>	
Project Summary .....	1
Detailed Observations .....	3
Basis of Review .....	11
Audit Team Information .....	12
Distribution List .....	12

Overall, the financial and management controls established by Transportation Services at Texas A&M University are effective in providing reasonable assurance that resources are used efficiently and effectively in compliance with laws, policies, regulations, and rules. However, significant improvements are necessary in rate setting for the Transportation Service Center and information technology controls to address compliance and information security risk.

Other observations were noted with respect to athletic event parking and performance targets.

Transportation Services provides transit, parking, and fleet services for Texas A&M University. Fiscal year 2007 revenues were \$27.4 million while expenditures were \$26.8 million. The innovative use of automation and technology has been a significant development in increasing efficiency across all Transportation Services operations.

## Summary of Significant Results

### *Transportation Service Center*

Transportation Service Center rates are not set on a break-even basis for each of its four major service activities. Also, indirect costs are not allocated in the calculation of Transportation Service Center rates. In addition, the costs may outweigh the benefits in operating the Service Center's daily rental fleet. These issues create a significant risk of noncompliance with applicable state and System requirements and could mask inefficient operations.

### *Information Technology*

Combined weaknesses in information technology controls associated with disaster recovery plan testing, administrative access, and electronic records retention creates significant risk regarding information systems availability and the security of information.

## Summary of Management's Response

*Transportation Services is dedicated to providing efficient, dynamic and innovative fleet, parking and transit services. Implementation of the recommendations contained within the audit report will enhance efforts in these areas.*

*Management will develop financial reporting for each Transportation Center service activity that includes indirect cost allocations. The financial reports will assist in ensuring appropriate costs are considered when determining rates and evaluating the cost/benefits of service activities.*

*Management will also improve information technology controls by performing disaster recovery testing, limiting administrative access to the Flex system, and disposing of historical electronic records as required by the record retention schedule.*

*The Transportation Services management team thanks the System Internal Audit Department for helping us improve the services we provide for the campus community.*

## Scope

The review of Transportation Services operations focused on the areas of revenues, expenditures, rate setting, information technology, and performance measures. The review period was September 1, 2006 to January 31, 2008. Fieldwork was conducted January through May 2008.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. Transportation Service Center

#### 1a. Service Center Rates

##### Observation

---

**Service Center rates are not set on a break-even basis.**

Transportation Service Center rates are not set on a break-even basis for each of its four major service activities. Rates for long-term rentals and fuel services are set to offset deficits for the daily rental fleet and maintenance shop. The major customers of the maintenance shop are the University bus fleet, which is an auxiliary funded by student fees, and the long-term rental fleet. Some long-term rentals are paid with state appropriated and research funds. Data analysis of April 2007 long-term rental revenue paid by University departments indicated that \$1,514 (0.786%) was paid with research funds and \$13,583 (7.05%) was paid with state appropriated funds. Therefore, as a result of the rates set for the maintenance shop, state and federal funds may be offsetting an auxiliary operation.

The funding of auxiliary operations with state appropriated funds is not allowed by state law<sup>1</sup>. System Regulation 21.01.05 requires service centers providing different types of services to identify costs and set rates based on those costs<sup>2</sup>. There is also a risk of noncompliance with OMB Circular A-21, which requires services paid with federal research funding to be based on accurate cost information.

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<sup>1</sup>Seventy-Seventh Legislature General Appropriations Act, Section 6 Expenditure Provisions states that "No educational and general funds appropriated to any institution or agency named in this article may be expended on auxiliary enterprises, unless specifically authorized in this Act."

<sup>2</sup> System Regulation 21.01.05, Section 8  
"Where a service department provides different types of services to users, separate billing rates should be established for each service that represents a significant activity or function of the service department. The costs, revenues, surpluses and deficits should also be separately identified for each service. The surplus or deficit related to each service should be carried forward as an adjustment to the billing rate for that service in the following year or next succeeding year."

Recommendation

1a. Service Center Rates  
(cont.)

Comply with laws and regulations in setting rates for each activity of the Transportation Service Center and separately identify the cost, revenue, surplus and deficit for each service.

Management's Response

*Management concurs with the recommendation and will develop financial reporting and cost allocations for each Transportation Center service activity to ensure that appropriate costs, revenues, surpluses and deficits are being considered when setting rates.*

*To be completed by November 30, 2008.*

*By February 2009, the financial position of each service activity will be reviewed and any rate changes for fiscal year 2010 determined. Rates will be effective in September 2009.*

*Rates to be completed by February 2009 and effective September 2009.*

1b. Indirect Cost Allocation

Observation

**Indirect costs are not allocated across Transportation Service Center functions.**

Indirect costs are not allocated in the calculation of Transportation Service Center rates. Indirect costs were captured in the long-term rental rate while the daily rental rate calculation includes no indirect costs. Indirect costs include salaries and other expenses that are shared by daily rental, long-term rental, maintenance and fuel operations. Without the proper allocation of indirect costs, the full cost associated with each function cannot be identified and therefore Transportation Services does not have a true account of each operation's financial performance.

Recommendation

Based on appropriate cost accounting principles, allocate all indirect expenses to each Service Center activity.

Management's Response

*Management concurs with this recommendation and will develop a written policy for allocation of indirect costs to the appropriate service center activity. To be completed by November 30, 2008.*

## 1c. Daily Rental Fleet

### Observation

**The daily rental fleet costs may outweigh the benefits.**

The costs and regulatory requirements of operating the University's daily rental fleet appear to exceed the benefits. Specific issues noted include:

- Daily rental rates have been established at amounts lower than cost to be competitive with private rentals and encourage University faculty and staff to utilize the fleet.
- The daily rental fleet consists of 36 vehicles including sedans, mini-vans, 15 passenger vans, and cargo vans. The availability of vans on weekends is limited due to high demand while other vehicles such as sedans are in less demand.
- The daily fleet ran a deficit of approximately \$203,000 in fiscal year 2007 which was offset by long-term rental and fuel revenues.
- The University does not have a mechanism in place for ensuring compliance with the State Vehicle Management Plan. Under the Plan, University faculty and staff are required to use the available daily rental fleet before other alternatives such as private rentals. In fiscal year 2007, approximately \$42,000 was paid by the University to vendors for 222 daily rentals. There was no documentation in place showing that these rentals were made after determining a fleet vehicle was not available. As a result, the University cannot demonstrate it is in compliance with the State Vehicle Fleet Management Plan. During fieldwork, management updated the Transportation Services' website with a notice that University departments are to adhere to the State Vehicle Management Plan.
- The University bears the liability for the fleet vehicles since it is self-insured.

### Recommendation

Examine the costs and benefits of maintaining the daily fleet. Consider outsourcing the daily fleet operations as part of this evaluation.

Develop a mechanism for ensuring compliance with the State Vehicle Management Plan.

## Management's Response

1c. Daily Rental Fleet (cont.)

*Management concurs with the recommendation and will perform a cost/benefit analysis of the Daily Rental Fleet operation.*

*To be completed by February 28, 2009.*

*Depending on the results of the cost/benefit analysis, Transportation Services will either outsource the daily fleet operation or continue its operation. Should the decision be made to continue operating the Daily Rental Fleet, management will work with other University departments as appropriate to develop a methodology to provide reasonable assurance that the State of Texas Vehicle Management Plan is being complied with.*

*To be completed by August 31, 2009.*

## 2. Information Technology

### 2a. Disaster Recovery Plan Testing

#### Observation

**The disaster recovery plan is not tested.**

As documented in the May 2007 Information Security Awareness, Assessment, and Compliance System (ISAAC) risk assessment report, disaster recovery plan testing is not conducted on an annual basis as required by the Texas Administrative Code. This results in the lack of adequate assurance that mission-critical Transportation Services' information systems could be recovered on a timely basis in the event of a disaster. The Division of Finance disaster recovery plan covers Transportation Services according to a signed written agreement. Under current procedures, testing is limited to ad hoc recovery of files when users lose data. The current disaster recovery plan does not contain contingencies for testing of the plan.

#### Recommendation

Develop comprehensive and proactive testing of the disaster recovery plan in accordance with Section 202 of the Texas Administrative Code. Evaluate and implement a range of testing strategies such as full recovery of applications in test environments; testing of all mission-critical applications on a scheduled, periodic basis; and simulations and drills to test specific elements of the disaster recovery plan to gain reasonable assurance as to the plan's effectiveness. View the testing of the disaster recovery plan as an iterative process. Document testing

2a. Disaster Recovery Plan  
Testing (cont.)

results and use the results to improve and keep the plan current given continual changes in technology and risk.

### Management's Response

*Management concurs with the recommendation and will work with the Division of Finance Information Technology (IT) Services to develop a plan for disaster recovery testing for Transportation Services.*

*To be completed by January 31, 2009.*

*When the plan is completed, additional hardware, software and/or services will be acquired to complete the recommended testing and simulation of disaster recovery. Initial testing of the plan and related documentation will be performed.*

*To be completed by May 31, 2009.*

## 2b. Administrative Access

### Observation

**Five administrative users share one user ID and password.**

Five administrative users share access to the ID and password for the FLEX application's administrative account. All administrative functions for FLEX are controlled through this one account. FLEX is used by Transportation Services to control parking lot and garage access and also control all aspects of revenue pertaining to visitors, permits and citations.

With multiple users sharing access, there is reduced accountability in the execution of administrative functions for the FLEX application. Under its current design FLEX does not have the functionality to separate administrative duties into separate user IDs. State law based on the Texas Administrative Code requires the assignment of unique identification for each information resource user.

### Recommendation

Evaluate options and execute a plan for controlling administrative rights to FLEX so that individual accountability exists.

### Management's Response

2b. Administrative Access  
(cont.)

*Management concurs with the recommendation and will change the current password in FLEX for administrators and reduce access to two systems administrators.*

*To be completed by November 30, 2008.*

*Management also concurs that separate user IDs should be utilized. Transportation Services IT personnel will work with the Division of Finance IT Services and T2 Systems Inc. to develop individual access for administrators in FLEX.*

*To be completed by May 31, 2009.*

### 2c. Electronics Records Retention

#### Observation

**A process is not in place for electronic records retention.**

Transportation Services does not have a process in place for the periodic review and disposal of electronic records maintained on data tapes and other electronic media sources. The tapes and other media were being retained in the event they were needed for recovery of information. As a result, over 207 diskettes, data cartridges, and tapes dating back to 1989 containing payroll, user files, and parking system data were being retained at the time of the audit. This creates significant risk that sensitive information could be lost or improperly disposed.

#### Recommendation

Develop and implement a process for maintaining departmental electronic records in accordance with the A&M System Records Retention Schedule.

#### Management's Response

*Management concurs with the recommendation and will work with the Division of Finance IT Services to ensure compliance. Historical tapes and other magnetic media are currently in the process of being destroyed in accordance with the A&M System Records Retention Schedule.*

*To be completed by February 28, 2009.*

*Finance Division IT Services no longer uses tapes or portable media to store Transportation Services archives or backup data. The*

2c. Electronic Records  
Retention (cont.)

*current electronic records archival process follows the A&M System Records Retention Schedule.*

### 3. Athletic Event Parking

#### Observation

**Rates for athletic event parking are not set to recover costs.**

A formal agreement is not in effect between Transportation Services and the Athletic Department establishing rates for parking at football games and other University athletic events. A one-year agreement was signed in August 2002 which established rates on a per parking space, per event basis. Under the 2002 agreement, rates were to be increased until commensurate with the parking rates charged to daily visitors. In subsequent years, no additional agreements were established in writing.

As a result, football game parking rates have not increased to the level charged to visitors which has impacted permit rates charged to other users such as students, faculty, and staff. As of fall 2007, the Athletic Department was charged approximately \$8 per parking space for football games while visitors were charged \$15 per space. Under the current rates charged to Athletics, direct expenses associated with football game day parking are generally covered, but the costs associated with debt service and deferred maintenance are not covered. The cost of athletic events is being subsidized by Transportation Services, daily visitors, and parking permit fees paid by students, faculty, and staff.

#### Recommendation

All costs associated with parking facilities including deferred maintenance and debt service should be factored into athletic event parking rates. Parking rates for athletic events should be equitable with the University visitor parking rates in order to generate the revenue needed to maintain parking facilities, pay debt service, and fund Transportation Services' staffing for athletic event parking.

#### Management's Response

*Management concurs with the recommendation and is currently conducting negotiations with the Department of Athletics and the 12<sup>th</sup> Man Foundation in regard to football game day rates and other athletic events throughout the year.*

*To be completed by February 28, 2009.*

## 4. Performance Targets

### Observation

**Performance targets are not in place as criteria for measuring organizational effectiveness.**

Performance targets are not formally established to evaluate Transportation Services operations. Performance information is captured in a wide range of Transportation Services operations, but no targets are in place to formally measure performance, determine the efficiency and effectiveness of operations, and validate the level of service provided to customers. Transportation Services had not considered taking the step to formally adopt a specific set of performance targets for measuring departmental performance. The information provided by these metrics could provide support for transportation initiatives and identify areas needing more focused efforts.

### Recommendation

Develop performance targets for key outcomes in areas such as customer service and finances. Periodically compare actual performance to established targets and update targets as appropriate. With the established targets in place, periodically communicate results to customers to validate the effective and efficient use of resources.

### Management's Response

*Management concurs with the recommendation and will develop an "Annual Report" that shows standard data elements in each operating area.*

*To be completed by August 31, 2009.*

## **BASIS OF REVIEW**

### **Objective**

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

### **Criteria**

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

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

### **Background**

Transportation Services' mission is to provide efficient, dynamic and innovative fleet, parking, and transit services to Texas A&M University with a vision to be the premier transportation services provider in the nation. Each year the 80-bus fleet travels more than 1.5 million miles while over 15,000 passengers a day ride the bus fleet. In fall 2008, 25 new buses were purchased and delivered at a cost of \$8 million. Other transportation needs of the University are met through a long-term fleet of approximately 530 vehicles and daily fleet of 36 vehicles. Over 120 parking lots and five garages are maintained on campus by Transportation Services to meet the parking needs of its customers.

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## PROJECT SUMMARY

### Overview

Overall, the recruiting, admissions, and enrollment management processes established by Prairie View A&M University are effective in meeting the University's enrollment goals and in providing reasonable assurance that students are admitted in compliance with applicable state laws and University requirements. Some opportunities for improvement exist in the areas of admission decisions, graduation application review deadlines, recruiting resources, and performance monitoring.

<u>Table of Contents</u>	
Project Summary .....	1
Detailed Observations .....	2
Basis of Review .....	8
Audit Team Information .....	10
Distribution List .....	10

Prairie View experienced record enrollment of 8,382 students in the fall of 2007. Undergraduate enrollment has increased approximately 12% since fall 2005. Historically, the University had a minimal grade point average for entrance requirements; however, entrance requirements were increased for fall 2005. The University graduated the highest number of students of 640 in the spring of 2008.

### Summary of Management's Response

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

### Scope

The review of enrollment management at Prairie View A&M University focused on recruiting, admissions and enrollment management functions for the period from September 1, 2006 through April 30, 2008. Fieldwork was conducted during May and June, 2008.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. Admissions Office Processes

### Observation

**Processes related to admissions decisions and accuracy of manually entered student data should be improved.**

Eight of 65 (12%) student files reviewed had positive admission decisions made even though the students did not fully meet all of the University's minimum entrance requirements. One individual in the Admissions Office reviews and then accepts or declines applications that meet one or more but not all of the minimum admissions criteria. While it may be appropriate to admit students who are close to minimum requirements, a better practice would involve more than one individual to ensure fair and objective treatment of applications. Additionally, internal procedures that provide guidance to the application reviewer on the handling of applicants that are close but do not meet all the requirements would be helpful. Admissions decisions by one individual for applications not meeting all minimum requirements leaves the University subject to perceptions of bias and unfair treatment.

Some of the information in nine of 65 (14%) student files reviewed did not agree with information recorded in the student information system (Banner). The Admissions Office did not have processes in place to verify accuracy and completeness of information that is manually entered into Banner. Although missing or incorrect information observed during our review did not result in inappropriate admission decisions, inaccurate student information has the potential for incorrect admission decisions and impacts the accuracy of reports obtained from the student information system.

It is important to have processes in place to ensure that data is entered accurately. Periodic reviews of a sample of files or automated reports of suspected errors provide a greater level of assurance that data is and continues to be entered accurately for use in admission decisions and other University purposes.

### Recommendation

Establish a formal process that ensures consistency and fairness for handling admission decisions related to student applications when the student is close but does not fully meet all minimum entrance requirements.

1. Admissions Office  
Processes (cont.)

Establish processes which include data entry verification and oversight to ensure data is accurately and completely recorded in Banner.

Management's Response

*We agree with the recommendation and are implementing the following procedures to ensure consistency and fairness of admissions decisions.*

*A formal process for reviewing specific criteria has been implemented and is outlined in the procedures manual for the Admissions Office. The review process consists of an Admissions Review Committee of two admissions counselors and one director. The Committee will evaluate students who are borderline for acceptance or denial and render a decision directly to the student. The decision-making staff and selected criteria used are outlined in the process and procedures manual for the office. This process was implemented by the undergraduate admissions office staff and was effective September 1, 2008.*

*The Assistant Director of Admissions will randomly sample admitted student folders weekly to verify the accuracy of data being entered to the Banner system and the results will be reported to the Compliance Office of Business Affairs. The administrative assistant will serve as the alternate for this review process. This process will be implemented by November 1, 2008.*

2. Graduation Application Review Deadlines

Observation

**Improvements are necessary to increase the timeliness of initial graduation audits.**

Nineteen of 30 (63%) initial graduation audits were submitted to the Registrar's Office after the deadline. University academic departments and colleges did not complete and return initial graduation audits to the Registrar's Office by established deadlines. Although the initial audits were submitted from one to 21 days late, the Registrar's Office was able to process and notify graduation candidates of their status prior to commencement ceremonies.

The initial graduation audit is used to determine if students have met degree requirements to be able to participate in the commencement ceremony. Therefore, it is important that these are completed and submitted in a prompt manner to ensure that the Registrar's Office has time to complete the necessary processing prior to the graduation ceremony.

### Recommendation

2. Graduation Application  
Review Deadlines (cont.)

Identify and implement methods for academic departments to enhance efficiency of completing and submitting initial graduation audits timely.

### Management's Response

*We agree with the recommendation and are implementing the following procedures to ensure graduation application review deadlines are timely.*

*The recommendation of completing and submitting initial graduation audits timely will be resolved with the implementation of the new Banner system in the fall of 2008.*

*In the revised process, the deans will receive a timeline that displays the date department heads are to retrieve for review the online graduation audit of the applicant. During this review period, department heads will determine if course substitutions, waivers or directives are required to clear the applicant's graduation audit for participation in the graduation ceremony. If these adjustments are needed they will be required to submit them for approval within ten working days to the Registrar's Office by the established deadline that appears on the established timeline. This process will be implemented by November 1, 2008.*

## 3. Recruiting Resource Management

### Observation

**Supervisory oversight and monitoring improvements are needed for recruiting resources.**

Recruiting office resources were not effectively managed to ensure employees were equipped with the resources necessary to efficiently and effectively perform their duties. Supervisors did not provide oversight and monitoring of communication resources and travel reimbursements for recruiters that travel extensively on University business. Examples of insufficient resource oversight include:

- Management did not request a new laptop computer for over a year after a recruiter informed her supervisor that she could not access the main server while in the field. This prevented recruiters and prospective students from entering information online during recruitment visits. Recruiting management initially requested repairs. Although notified the computer could not be repaired, recruiting management instructed the employee to manually enter prospective student information when she

3. Recruiting Resource Management (cont.)

returned to campus. The supervisor was unaware of budgeted funds available to obtain a computer with offsite connection capabilities that was needed for the recruiter to efficiently record prospective student information.

- Seven of 20 (35%) travel reimbursements were paid untimely due to slow reimbursement requests, travel voucher errors, lack of properly encumbering funds, and lack of proper supervisory signature. Employees involved in the travel encumbrance and travel voucher process do not have a good understanding of the process to routinely submit travel expenses for reimbursement in compliance with University procedures. University rules require employees to submit travel vouchers within five days after travel ends. With the frequency of travel required of recruiters, it is important that employees are reimbursed promptly for their personal funds expended to perform University business.
- Management did not seek cell phone stipends for the recruiters. Recruiters' job duties necessitate using cell phones while in travel status. The recruiters often used their personal cell phones for University business. University procedures provide for communication service allowances for employees who use cell phones to enhance the performance of certain job responsibilities; however, the supervisor was not aware of the annual allowance process.

Obtaining adequate resources for employees is an integral part of a supervisor's responsibilities. Employees who are not adequately equipped may not be able to attain their goals or be successful.

### Recommendation

Enhance resource monitoring to ensure employees have the necessary resources to successfully perform their duties. Ensure that employees with supervisory responsibilities have adequate training and understanding of their job responsibilities.

### Management's Response

*We agree with the recommendation and are implementing the following procedures to ensure adequate resources are provided.*

*A replacement laptop will be purchased for the Office of Recruitment & Marketing as well as provide a communication allowance for each recruiter at the highest level allowed at the University based on their travel schedule. These resources will assist staff in effectively recording daily prospective students' information online in remote*

3. Recruiting Resource Management (cont.)

wireless areas. These resources will be purchased by October 1, 2008.

Recruitment has designed a tracking mechanism for submitted travel leave requests and reimbursement vouchers for all staff. A supervisor's signature will be required at each location. Extended travel voucher dates will be collectively submitted by region and/or dates within the required five days of return to campus. All staff will be required to attend Travel Training by November 1, 2008.

The management staff in Recruitment has submitted a request for the maximum cell phone allowance for each recruiter through the Associate Provost for Enrollment Management. These resources will be available to staff by November 1, 2008.

#### 4. Performance Measures

##### Observation

**Performance measures for Enrollment Management units are not monitored.**

Performance measures have been established for the University, the Division of Enrollment Management, and the individual Enrollment Management units; however, there is not a process in place for individual unit measurement and review on a periodic basis. The Enrollment Management units have unit goals which relate to the division's goals. Management monitors achievement of the division's goals, but individual unit assessment, responsibility, and accountability are not monitored. Since division goals have been met or exceeded for the past several years, management has not perceived the need to monitor unit performance measures.

Without periodic monitoring of the units' performance measures, management lacks information on the operational effectiveness and efficiency of the units within the Division of Enrollment Management. A good performance measurement system provides information that is meaningful and useful to decision-makers and is an integral part of the daily operations.

##### Recommendation

Establish processes to monitor the achievement of Enrollment Management unit performance measures.

##### Management's Response

We agree with the recommendation and are implementing the following procedures to ensure unit performance measures are monitored.

4. Performance Measures  
(cont.)

*This formal process will consist of a checklist utilized by managers to chart the annual progress of each employee and will serve as the mechanism to monitor unit performance measures. This checklist will be used in a formal meeting between the manager and employee affirming whether goals have been achieved. At the completion of each session, this document will be signed by both individuals certifying whether the established goals have been accomplished and filed along with the annual performance review information. This process will be developed by November 1, 2008.*

## BASIS OF REVIEW

### Objective

The objective was to review the University's recruitment, admissions and enrollment management processes and determine if resources are used efficiently and effectively and in compliance with laws, policies, regulations, rules and Higher Education Coordinating Board requirements.

### Criteria

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

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

### Background

Established in 1876, Prairie View A&M University is the second-oldest public institution of higher education in Texas. Offering baccalaureate degrees in 50 academic majors, 35 master's degrees and four doctoral degrees, this historically black university has an established reputation for producing engineers, nurses and educators.

The University's enrollment reached an all time high in fall 2007 with 8,382 students and continues to increase. Though the University's service area has generally extended throughout Texas and the world, the University's target service area includes the Texas Gulf Coast Region, i.e., Waller, Harris, Montgomery, Washington, Grimes, Fort Bend, Galveston, Jefferson, Chambers, Liberty, Colorado, Wharton, Brazoria, and Austin counties; the rapidly growing residential and commercial area known as the Northwest Houston Corridor as noted in the original Texas Plan; and urban Texas centers likely to benefit from Prairie View A&M University's

specialized programs and services in juvenile justice, architecture, teacher education, social work, and the food, agricultural and natural resource sciences.

## AUDIT TEAM INFORMATION

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## PROJECT SUMMARY

The Texas Engineering Experiment Station (TEES) is in the process of updating their systematic, organization-wide enterprise risk management (ERM) process. While the process developed in 2005 incorporates the facets of an effective risk management program as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), formal, agency-wide communication of executive management's commitment to ERM, risk management philosophy, risk appetite, and common risk language has not occurred following recent executive management changes. Re-assessment of the Agency's most significant risks has not been performed since the initial implementation of ERM in 2005. In addition, management has not verified alignment of its strategies, goals and objectives with the ERM process to ensure risks that may impede Agency performance are mitigated.

TEES implemented ERM in 2005 with an internal environment that was and continues to be strongly supportive of the initiative. Two training sessions were held in 2005 to orient TEES's personnel with the process. The initial event identification and risk assessment process was performed using a group format with evaluation of impact and likelihood based on a high, medium, or low scale. Committees, appropriately comprised of management from operating units affected by risks, were assigned responsibility and accountability for developing risk response and mitigating control activities to address risks. These activities are monitored, at a minimum, on an annual basis by operational unit management and the Risk and Compliance department. ERM communication flows effectively within the Agency both horizontally and vertically and an annual monitoring report detailing the effectiveness of mitigating and monitoring activities is presented to the Deputy Director, Chief Financial Officer, and Agency Director.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. Risk Assessment

### Observation

**Communication of an agency-wide commitment to ERM and re-evaluation of risks has not occurred since initial ERM implementation in 2005.**

Changes in TEES's executive management have delayed re-assessment of the ERM process. Formal, agency-wide communication of executive management's commitment to ERM, risk management philosophy, risk appetite, and common risk language has not been communicated resulting in uncertainty among Agency personnel regarding executive management's expectations. Evaluation of significant risks to the Agency has not been performed since initial ERM implementation in 2005. Risks identified in 2005 as pertinent to Agency sustainability may no longer be applicable as strategies, goals, and objectives may have changed.

### Recommendation

Establish clear support for ERM through direct communication between executive management and the Agency, including executive management's expectations and definitions of ERM concepts such as risk environment, philosophy, appetite, and tolerance.

Complete the unit level and agency-wide risk assessment currently in process for fiscal year 2009. Review risks identified through the ERM process on an annual basis to ensure risks being mitigated and monitored are most pertinent to the viability of the Agency.

### Management's Response

*During the first quarter of fiscal year 2009, and annually thereafter, the Agency Director will communicate executive management's expectations and definitions of ERM concepts such as risk environment, philosophy, appetite, and tolerance to the Agency in conjunction with releasing the agency-wide ERM Plan for that fiscal year.*

*Risks will be reviewed on an annual basis to ensure the risks being mitigated and monitored are most pertinent to the viability of the Agency.*

## 2. Objective Setting

### Observation

**The 2005 TEES Strategic Plan and ERM documentation were not aligned resulting in potential inadequate mitigation of risks that could impede performance of the Strategic Plan.**

Management did not integrate objective setting with the ERM process during the 2005 implementation. As a result, the ERM documentation is not aligned with the TEES Strategic Plan to ensure that risks which could impact performance of the Agency's goals and objectives are properly mitigated.

Current executive management has adopted a 'move forward' approach with the intention of improving the integration of ERM and objective setting during the fiscal year 2009 process.

### Recommendation

Align the fiscal year 2009 Strategic Plan, Agency Compact, and ERM documentation to allow for mitigation of risks that could hinder future performance and achievement of Agency goals.

### Management's Response

*During the fourth quarter of fiscal year 2008, the 2009 ERM Plan is being aligned with the Agency Compact to allow for mitigation of risks that could hinder future performance and achievement of Agency goals. The Strategic Plan is currently under revision. In future years, on an annual basis, the Strategic Plan, the Agency Compact, and the ERM Plan will be aligned.*

## **BASIS OF REVIEW**

### Objective and Scope

The overall objective was to determine if the key elements of the TEES enterprise risk management processes are designed to identify and mitigate risks through the use of a systematic, organization-wide approach. Our review focused on the components of enterprise risk management as defined by the Committee on Sponsoring Organizations of the Treadway Commission (COSO). These components include the institution's internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring processes. Activities and documentation related to these components were reviewed for TEES's fiscal years 2005 to 2008 ERM documentation. Audit fieldwork was conducted in May 2008.

### Criteria

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

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

### Background

TEES was established in 1914 and is the engineering research agency of the State of Texas. The Agency's mission is "to perform engineering and technology-oriented research and development for the enhancement of the educational systems and the economic development of the State of Texas and the nation." Research performed by TEES is driven by current public needs to enhance the quality of life in Texas. The TEES fiscal year 2008 operating budget was \$108.6 million and the Agency manages over \$100 million in research projects annually. TEES is

headquartered in College Station, Texas and has affiliations with 15 Texas universities, one community college, and 35 multidisciplinary research centers.

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## PROJECT SUMMARY

The administration of the purchasing card program at Texas AgriLife Research (Research) and Texas AgriLife Extension Service (Extension) ensures that resources are used in compliance with laws, policies and regulations. Financial and management controls are in place including comprehensive written procedures and forms, required user training, and user acknowledgment of purchasing card rules and responsibilities. In addition, ongoing monitoring of purchasing card transactions and processes is performed both centrally and at the department level as well as during periodic departmental reviews performed by the Research and Extension Management Review Team. Areas of improvement include establishing purchasing card program goals and performance measures to better ensure the program is operating efficiently and effectively.

The purchasing card is a tool that provides an efficient and timely payment alternative to the traditional voucher processing for small purchases. Research and Extension recently began the purchasing card program in 2006. The program has been implemented at approximately 75% of all agency departments with more than 300 active purchasing cards currently in use. Combined, Research and Extension processed approximately 29,000 transactions totaling over \$5 million using purchasing cards from September 2006 through March 2008. Continued growth in the use of these cards should further increase efficiencies within agency procurement processes.

## OBSERVATION, RECOMMENDATION, AND RESPONSE

### Purchasing Card Program Goals and Performance Measures

#### Observation

**Formal purchasing card program goals and performance measures have not been developed.**

Formal goals and performance measures have not been developed and approved by management for the purchasing card program. This program is relatively new and agency efforts have focused primarily on implementation of the program and

corresponding controls. Development and implementation of formal goals and performance measures would better ensure that the program maintains alignment with agency goals and that management has the necessary information to determine whether the program is performing as expected. For instance, one measure could be the extent to which the program has increased operating efficiencies in order to determine the costs of not fully maximizing the use of purchasing cards where feasible.

### Recommendation

Establish formal program goals, objectives, and related performance measures for the purchasing card program with corresponding approvals by management. Periodically compare actual performance measures to those expected, implementing changes as needed.

### Management's Response

*We agree with the need for formal goals and performance measures and are looking at the policies and procedures in place at other entities to serve as a guide. We will develop these policies and procedures and ask the internal auditors to review them prior to implementation. We will have the goals and measures in place by December 31, 2008 and will annually compare actual results with goals.*

## **BASIS OF REVIEW**

### Objective and Scope

The overall objective was to review financial and management controls over purchasing cards to ensure resources are used efficiently and effectively and in compliance with laws, policies, regulations, and rules.

Our review of the use and administration of purchasing cards focused on assessing current administrative controls in place as well as gaining an understanding of purchasing card processes at departments throughout the agencies. Transactions and activities were reviewed primarily for the September 1, 2006 through January 31, 2008 time period although some activities outside this time period were examined as necessary. Fieldwork was conducted from April through June 2008.

## Criteria

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

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

## Background

The State of Texas contracts with JP Morgan Chase to provide a purchasing card program that is administered by the Texas AgriLife Research/Texas AgriLife Extension Service central fiscal services office. This office handles processes for card issuance, cardholder training, merchant class code restrictions, credit limits, card cancellation, card replacement, and administration of JP Morgan Chase's Pathway Net application. Purchasing card activity is maintained on the bank's web-interfaced database, Pathway Net. Agency departments handle processes for reconciling purchasing card transactions and reallocating purchasing card expenditures in Pathway Net to the correct account and object code posted to the Financial Accounting Management Information System. In addition, the central fiscal services office and the individual agency departments both perform various levels of monitoring of state and local purchasing card transactions.

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