Management Review of the Texas A&M University System Offices

MGT
OF AMERICA, INC.

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Executive Summary

On October 26, 2011, the Texas A&M University System (TAMUS) selected MGT of America, Inc. to conduct a comprehensive review of the System Offices' organizational structure, management and business practices. TAMUS subsequently asked MGT to consider information technology policy, communications staffing and the potential consolidation of TAMUS human resources offices in Brazos County as well.

Our results have identified a number of areas in which TAMUS can eliminate redundant positions, improve customer service, cut costs and increase efficiency. In fact, the System has already addressed some of the areas based on discussions with the consulting team. Some major recommendations in this report include:

Shared Services —
- Authorize the System chief research officer to require specific best practices for all members within the Office of Sponsored Research Services (OSRS).

- Move additional research administration activities to OSRS.

Finance and Accounting —
- Eliminate positions in the System Offices' accounting and aircraft operations units.

- Transfer responsibility for System Offices purchasing to TAMU.

Internal Audit —
- Fill vacant internal audit positions with persons expert in information system audits.

Communications —
- Create a full-time Vice Chancellor for Marketing and Communications to oversee and manage the System's marketing and communications function.

- Review the duties and responsibilities of members' marketing and communications positions to identify positions that can be eliminated.

Federal and State Relations —
- Provide the Vice Chancellor for Federal and State Relations with responsibility for all federal relations, including those related to research.

- Eliminate positions in the Governmental Relations office and the Office of Technology Commercialization.

Chancellor's Office —
- Eliminate the positions of assistant to the Chancellor, Deputy Chancellor, events coordinator and senior office associate.

General Counsel —
- Move the legal counsel position in the Health Science Center to the Office of General Counsel (OGC).

- Eliminate the legal secretary and assistant general counsel positions in OGC.

- Establish a System Ethics and Compliance Committee and appoint a System Ethics and Compliance Officer.

Human Resources —
- Consolidate all TAMUS Brazos County HR human resources at Texas A&M University.

Facilities Planning and Construction —
- Reduce construction costs by employing formal criteria to determine when to use Construction Manager at Risk contracts.

- Eliminate eleven Facilities Planning and Construction positions.

- Increase the threshold from $4 million to $10 million for construction projects that can be managed by campuses.

Information Technology —
- Grant the System Offices' CIO the authority to ensure that major IT projects, services and purchases are coordinated across members.

- Reconsider the need for new data center at Texas A&M until a university-wide assessment of data consolidation and virtualization is completed.

- Eliminate four vacant positions in Business Computing Services.

Outsourcing —
- Examine opportunities for outsourcing in support units.

Implementation of the 50+ recommendations contained in this report would result in the net reduction of 161 positions and annual savings of approximately $19.4 million. Detailed rationales for the recommendations, as well as fiscal impact estimates, appear throughout the report. MGT of America is ready and willing to assist the Texas A&M University System in implementing the recommendations.

Background

On October 26, 2011, the Texas A&M University System (TAMUS) selected MGT of America, Inc. to conduct a comprehensive review of the System Offices' organizational structure, management and business practices. The major goal of this project was to improve efficiency and effectiveness by identifying changes to business practices, organizational structures, staffing and expenditures.

After the project was under way, TAMUS leadership asked MGT to explore several other issues related to the effective functioning of the System Offices. For example, the Chancellor asked the consulting team to review information technology policy and resource usage at member institutions and agencies. Similarly, the team was asked to assess staffing levels for communications offices across the System, as well as savings that might result from consolidating human resources offices for System members in Brazos County.

This report addresses operational and organizational issues identified during a review of information provided by the System and its members, as well as approximately 75 interviews with leaders of the System Offices and System members and selected employees. It focuses on areas with significant potential to reduce costs, increase efficiency or improve customer service, including:

- staffing
- outsourcing
- shared services
- finance and accounting
- internal audit
- communications
- state and federal relations
- Chancellor's Office
- general counsel
- human resources
- facilities planning and construction
- information technology
- outsourcing opportunities

The report offers recommendations to address the issues presented, as well as fiscal estimates of savings that can be achieved.

It should be noted that the System has already addressed some of the issues identified, based on discussions with the consulting team. For example, the System already has named a Vice Chancellor for Marketing and Communications to focus on the System's communications needs. Furthermore, the System recently reduced staffing in several units of the System Offices to reduce operating costs.

System Offices Staffing

Staff salaries and benefits represent a significant share of the System Offices operating budget at approximately 54 percent (total expenditures less debt service). Any effort to reduce operational costs significantly requires careful analysis of staffing trends and the factors driving staff increases.

SO1 ISSUE: Key stakeholders voiced concern about the growth in System Offices staffing.

When the System Offices were established as a distinct entity in the late 1970s, a relatively small number of full-time equivalent (FTE) positions were assigned to them. As of January 2012, staffing totaled 448 FTE positions, a rise many perceive as unjustified.

System Offices staffing should be examined in light of its changing responsibilities, overall TAMUS growth and staffing complements at comparable offices in other university systems.

Long-Term Trends in Staffing and Workload-Related Metrics

Exhibit 1 illustrates the growth in budgeted FTE positions in the System Offices at six-year intervals from 1979-80 through 2009-10, as well as a recent snapshot for January 2012. During this 32-year period, the number of FTE positions rose by 204 percent, from 147 to 448. Significant growth occurred between 1985-86 and 2003-04, followed by a relatively stable period until 2009-10. Rapid growth has resumed in the past two years.

EXHIBIT 1
Trends In Budgeted FTE Positions
TAMU System Offices, 1979-80 To 2011-12
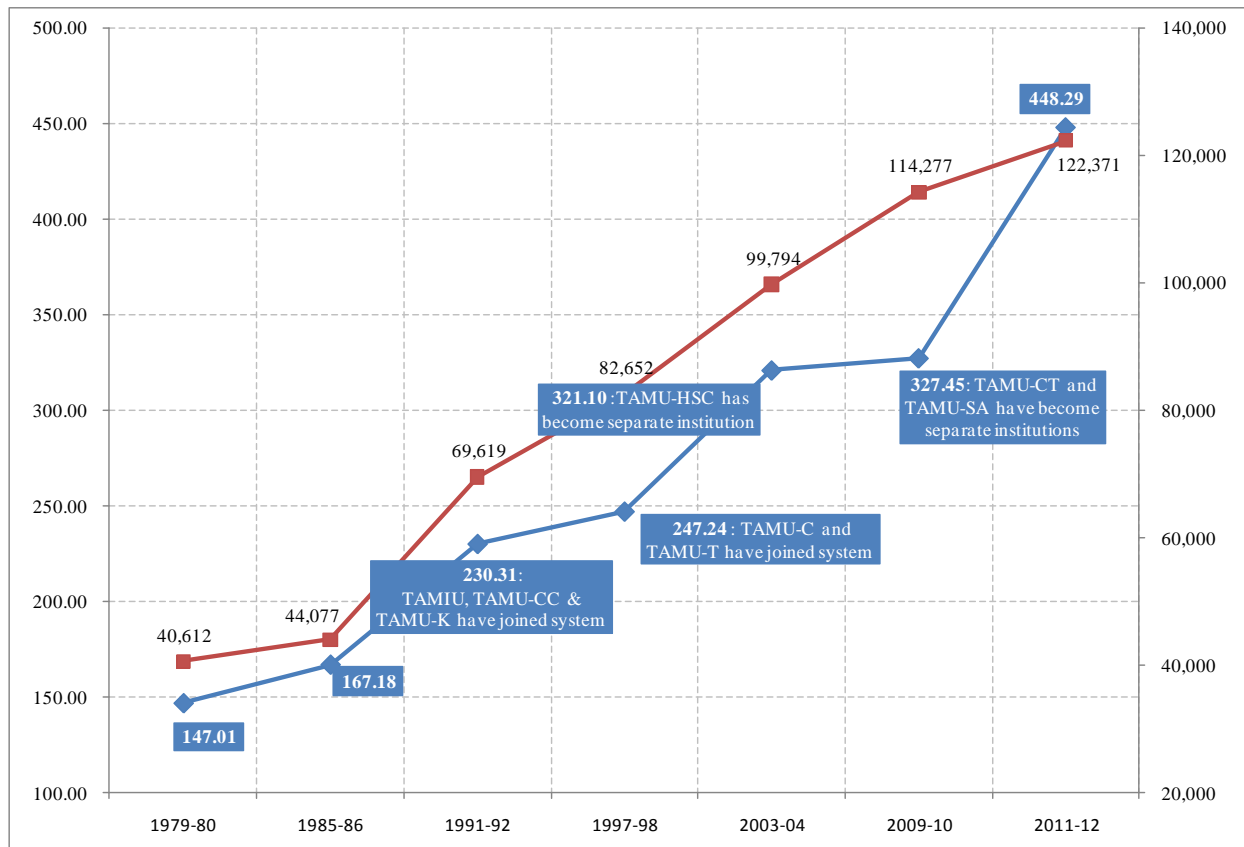
Source: TAMUS Offices, 2012.

A number of factors contributed to this growth in staffing. The exhibit above also shows that the number of students enrolled in TAMUS rose by 201 percent during the period, from 40,612 to 122,371. In the same period, the number of separately accredited institutions in the System quadrupled from three to 12. Six institutions joined the System (TAMIU, TAMU-Corpus Christi, TAMU-Kingsville, WTAMU, TAMU-Commerce and TAMU-Texarkana), and three new institutions were established (TAMU-HSC, TAMU-Central Texas and TAMU-San Antonio).

The growth of the System, both in terms of enrollment and numbers of institutions, sharply boosted demand for services from the System Offices.

Peer Analysis

To place System Offices staffing in context, the team examined central office staffing at other public university systems. While the various systems have varying missions for their central offices, all share many of the same functions, such as supporting operations of the governing board; representing the system to the governor and state legislature; and overseeing academic programs, personnel, finance, facilities and other administrative functions.

To conduct a peer analysis, the consulting team identified two sets of comparable university systems. These were selected with consideration for geographic proximity (including other university systems in Texas), numbers of institutions and responsibility for the land-grant mission. Information for the Texas peers was pulled from state reports, while data for the national peers came from the federal IPEDS reports.

With a reported 295 full-time positions, the TAMUS Offices were at the median of the six Texas peer systems for FY 2010-11 (**Exhibit 2**). Although the TAMUS has the most institutions and agencies to oversee, the System Offices had the second highest number of staff. The Texas State University (TSU) System, with a much more decentralized operation, had the fewest number of staff members. [1]

We found similarly large variances among the national peers. The University of Illinois System had more than 1,100 positions in its central office, while the University of California System had more than 2,200. On the other hand, the Nebraska and Wisconsin system offices each had fewer than 100 positions. The most likely explanation for such significant variations is differing functions as well as the number of member agencies and institutions served. Again, the TAMUS was at the median of the selected peer systems, as seen in **Exhibit 3**.

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[1] The 295 full-time positions shown in this exhibit for the TAMUS offices is less than the 448 FTE positions in the previous exhibit due to reflecting an earlier reporting date prior to establishment of OSRS and the exclusion of part-time positions. Similar differences in position counts may also be observed in later exhibits due to variances in definitions and reporting dates found in various information sources.

EXHIBIT 2
State Of Texas
Higher Education Systems
FY 2011 Budget, Enrollment And Staff FTE

Higher Education System	Number of Institutions and Agencies	FY2011 System Budget (millions)	Fall 2010 Enrollment	System Office FTE Staff
The Texas A&M University System	20	$3,330.8	119,906	310.5
The University of Texas System	15	$12,477.3	202,845	614.3
Texas Tech University System	3	$1,479.8	35,177	154.3
University of Houston System	4	$1,342.2	63,846	98.7
University of North Texas System	3	$704.6	39,718	259.1
Texas State University System	5	$869.5	73,776	19.7
Average without TAMUS	6	$3,374.7	83,072	229.2

Source: TAMUS, 2011.

EXHIBIT 3
Peer Analysis Of Central Office Staffing Levels
For Comparable University Systems Across The Nation
Fall 2010

System	Staff by Function							Total
	Instruction, Research and Service	Executive, Administrative and Managerial	Other Professional	Technical, Para-professional	Clerical, Secretarial	Skilled Crafts	Service, Maintenance	
The Texas A&M University System Office		**48**	**191**	**15**	**40**		**1**	**295**
University of Arkansas System Office		6	21	2	5		2	36
University of California System Administration Central Office	335	426	965	201	266	17	57	2,267
University of Illinois University Administration	2	293	587	33	215			1,130
University of Missouri-Systems Office	2	102	306	11	70		7	498
University of Nebraska Central Administration System Office		25	103	16	15			159
University of Wisconsin-System Administration		56	108	11	18			193
Peer Averages	**113**	**151**	**348**	**46**	**98**	**17**	**22**	**714**

Source: *U.S. Department of Education, IPEDS reports.*

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Impact of Changing Responsibilities

Again, one factor contributing to the increase in System Offices staffing is the additional roles assigned to them. The most recent example is the creation of the Office of Sponsored Research Services (OSRS), which was assigned more than 125 new FTE positions in the current fiscal year. Moreover, TAMUS has a long history of using a shared services approach and much of the rise in staffing since 1979 is due to various transfers of responsibilities from System members to the System Offices.

Exhibit 4 shows long-term staffing trends at the System Offices by functional area. The individual departments within the System Offices, which have been restructured and relabeled at various times in the last three decades, were assigned to functions as follows:

- General – Chancellor, planning and policy, Board of Regents

- Academic – Vice Chancellors for academic affairs, student services, agriculture, engineering and health affairs

- Business/Finance – budgeting, treasury, purchasing, HR, others

- External – government relations, communications

- Audit – internal audit

- Facilities – facilities planning and construction

- Information Technology – business computing services

- Research – chief research officer, ORSA, research compliance, strategic initiatives, technology commercialization

- Aircraft – system aircraft operations

These functions were further grouped into three broad categories depending on the extent of their involvement in System leadership functions and the provision of shared services.

EXHIBIT 4
Trends In FTE Positions By Functional Area
TAMU System Offices, 1979-80 To 2011-12

Function	Fiscal Year							32-Year Trends		2-Year Changes	
	1979-80	1985-86	1991-92	1997-98	2003-04	2009-10	2011-12	Change in FTEs	Distribution of Change	Change in FTEs	Percent Change
Primarily System Leadership Functions											
General	9.50	24.58	19.67	10.16	23.58	23.50	17.05	7.55	2.5%	-6.45	-27.4%
GovRel/Comm	11.31	0.20	4.19	10.07	13.25	13.05	15.88	4.57	1.5%	2.83	21.7%
Academic	4.50	3.00	8.40	17.59	31.01	12.70	13.67	9.17	3.0%	0.97	7.6%
subtotal	*25.31*	*27.78*	*32.27*	*37.82*	*67.84*	*49.25*	*46.60*	*21.29*	*7.1%*	*(2.65)*	*-5.4%*
Combination of System Leadership and Shared Services Functions											
Audit	13.00	18.00	20.00	23.00	35.50	34.00	34.00	21.00	7.0%	0.00	0.0%
Legal	5.00	12.50	32.99	29.50	35.00	34.00	36.10	31.10	10.3%	2.10	6.2%
Bus/Fin	31.20	34.65	71.80	68.00	75.67	75.10	64.55	33.35	11.1%	-10.55	-14.0%
subtotal	*49.20*	*65.15*	*124.79*	*120.50*	*146.17*	*143.10*	*134.65*	*85.45*	*28.4%*	*(8.45)*	*-5.9%*
Primarily Shared Services Functions											
Facilities	66.50	69.00	65.50	57.31	65.35	54.00	52.00	-14.50	-4.8%	-2.00	-3.7%
InfoTech	6.00	5.25	7.75	26.61	36.74	47.60	56.60	50.60	16.8%	9.00	18.9%
Research						28.50	154.44	154.44	51.3%	125.95	442.0%
Aircraft				5.00	5.00	5.00	4.00	4.00	1.3%	-1.00	-20.0%
subtotal	*72.50*	*74.25*	*73.25*	*88.92*	*107.09*	*135.10*	*267.04*	*194.54*	*64.6%*	*131.95*	*97.7%*
Total	**147.01**	**167.18**	**230.31**	**247.24**	**321.10**	**327.45**	**448.29**	**301.28**	**100.0%**	**120.84**	**36.9%**

Source: TAMUS Offices, 2012.

Shared Services

As seen in the exhibit above, most of the increase in System Offices staffing occurred in departments and functional areas associated with shared services. Staffing in the "system leadership" category rose by 79 percent over the 32-year period, a rate lower than the increase in enrollments and in the number of institutions within TAMUS.

In all, the vast majority of the staffing increase is due to the shifting of responsibilities from System members to the System Offices.

Key actions adding positions to the System Offices during this period include:

- Audit – transfer of auditors to the System Offices between 2000 and 2004.

- Legal – transfer of the real estate offices to the general counsel in 1991-92.

- Business/Finance – added treasury services and benefits administration roles in 1987-88; HUB program/procurement in 2006-07; safety and security in 2010-11.

- Information Technology – transfer of FAMIS operations in 1992-93; creation of the Enterprise Software Initiatives Office in 2004-05; expansion of this office in 2010, at the request of System members.

- Research – transfer of technology commercialization in 2005-06; transfer of sponsored research administration in 2011-12.

- Aircraft – transfer from TAMU in 1997.

Given this pattern, any discussion of an "appropriate size" for the System Offices must consider the real and potential value of the various shared-services arrangements. In other words, ***what is the rationale behind the assignment of each of these responsibilities to the System Offices rather than member institutions or agencies?***

The next section addresses a variety of issues related to shared services within TAMUS.

Employee Attrition in System Offices

MGT's analysis indicates that System Offices staffing has tripled in the past three decades, equating to an average annual increase of 3.55 percent.

Obviously, to achieve a significant reduction in staffing in the short term, we must identify positions that can be eliminated without harming the System Offices' functions. Some recommendations in this report suggest such opportunities. Over the longer term, however, employee attrition can be a major factor in controlling staffing growth.

As seen in **Exhibit 5**, annual staff attrition within the System Offices in the past several years has been *significantly* higher than the long-term 3.55 percent annual growth in staffing, at an average of 12.4 percent annually between fiscal 2006 and 2011. Attrition due to voluntary separations only was almost as high, at 11.4 percent annually.

Note that separations were abnormally high during fiscal 2007, probably due in part to a significant reorganization of the finance offices in that year. When 2007 is excluded, voluntary separations average about 10 percent annually. It seems clear, then, that a careful review and reallocation of position vacancies could be a useful tool in controlling the growth of staffing, even when demands for services are increasing.

EXHIBIT 5
Trends In Staff Attrition In The System Offices
Texas A&M University System
FY2006 Through FY2011

Fiscal Year	Budgeted Positions	Total Separations	Percent Separated	Voluntary Separations	Percent Separated
2006	347	43	12.4%	42	12.1%
2007	345	72	20.9%	65	18.8%
2008	338	36	10.7%	33	9.8%
2009	338	26	7.7%	24	7.1%
2010	340	39	11.5%	35	10.3%
2011	338	37	10.9%	34	10.1%
Totals and Averages	2,046	253	12.4%	233	11.4%
Totals and Averages Excl 2007	**1,701**	**181**	**10.6%**	**168**	**9.9%**

Source: TAMUS Offices, 2012.

RECOMMENDATION 1:

During the next strategic planning initiative, the Chancellor should convene a workshop involving key stakeholders to determine the optimal roles to be played by the System Offices, System members and other affiliated organizations in providing shared services to System members.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

SO2   ISSUE: The establishment of the new Office of Sponsored Research Services within the System Offices caused a significant increase in staffing.

After several years of study and planning, TAMUS began implementing plans for a new Office of Sponsored Research Services in fiscal 2012. The plans grew out of the Schaefer Report, which was commissioned by the Board of Regents to explore the potential for improved efficiency within the System's contracts and grants management enterprise.

OSRS is fully funded by assessments on System members based on their sponsored research activity. The OSRS is under the supervision of the TAMUS chief research officer, with the input of research officers from member institutions.

The creation of the OSRS added about 125 positions to the System Offices in fiscal 2012. Despite the fact that its establishment increased administrative costs for the System Offices, it is important to note that the new office allowed TAMUS to reduce its *systemwide* administrative costs.

The Schaefer report identified 270 positions in five System members and the Research Foundation that could be eliminated after creation of the OSRS, and called for only 190 positions in OSRS to administer the same workload. By design, then, OSRS enabled the reduction or redeployment of 35 TAMUS positions. As of late January 2012, moreover, only 125 of the planned 190 positions had been established, with the balance being scheduled for creation in the next few months.

The team found, however, that current state reporting practices for agency staffing fail to portray the efficiencies that have been realized through the establishment of OSRS.

RECOMMENDATION 2:

The TAMUS CFO should work with the offices of the State Comptroller and State Auditor to identify strategies, such as creation of a separate agency code, to more accurately portray OSRS as a self-funded enterprise rather than a core function of the System Offices.

A separate agency code also should provide greater accountability for OSRS, to ensure that it achieves its targets for improved efficiency.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

As noted above, most of the growth in System Offices staffing has occurred in units providing shared services to member institutions. When used effectively, the shared services model can improve efficiency and effectiveness through economies of scale. Some stakeholders, however, are concerned that the System Offices' current approach to some shared services has fallen short of this goal.

Within TAMUS, "shared services" is used to describe a broad variety of situations, including:

- *Shared leadership positions*, in which an individual position is funded from two or more System members to play a leadership role for the System Offices as well as TAMU or another System member. For instance, the same individual serves as TAMUS chief research officer (0.20 FTE) and TAMU vice president for research (0.80 FTE).

- *Shared services within Brazos County*, in which TAMU, TAMU-HSC, the agencies and/or the System Offices join together on a case-by-case basis, as when:
  - TAMU provides services under contract to other System members (such as physical plant services).
  - Related System members share services (such as agriculture entities).
  - The System Offices provides services (such as OSRS).

- *System-wide shared services*, in which all TAMUS members receive services from a centralized unit (such as audit, general counsel and facilities planning).

SS1   ISSUE: The practice of delivering shared services through a shared leadership position has certain drawbacks.

One issue arising from the shared leadership model concerns simple human nature. When contentious issues arise, system members may become skeptical as to whether the leader is basing decisions on what is best for *all* System members or, perhaps unintentionally, favors the institution of his or her primary appointment.

A second issue concerns competing demands for the shared leader's time and attention. Because of the growing demand for leadership time for System responsibilities, the System Offices should assign some key positions entirely to meeting the unique needs of the System as a whole, rather than sharing the position with other System members. During the course of this review, one such issue already has been resolved by the appointment of a full-time Vice Chancellor for Marketing and Communications.

RECOMMENDATION 3:

The use of shared leadership positions should be a topic of discussion at the shared services workshop described in Recommendation 1.

A key concern in the review of shared leadership positions is determining whether a separate shared services unit could be cost-effective in attracting equally well-qualified leaders as found at TAMU.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

SS2   ISSUE: System agencies have each established a variety of administrative support units, leading to the duplicative and inefficient delivery of support services in Brazos County.

Geographic proximity provides multiple opportunities for shared services in Brazos County. Yet TAMUS, over the years, has established various research and extension units as separate agencies rather than as units within the flagship institution, as is common in other states. As these units achieved separate agency status, they tended to establish duplicative administrative support offices. For instance, there are *eight separate HR offices* for member units in Brazos County.

Efforts to establish effective shared service models in HR and other areas have been resisted due in part to concerns that doing so would reduce access to support specialists or lower the quality of services. Models for shared service delivery that include on-site staffing are not well understood within the System.

RECOMMENDATION 4:

Opportunities for greater administrative efficiency should be a topic of discussion at the shared services workshop described in Recommendation 1.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

SS3   ISSUE: System member support for shared services is undermined by concerns about funding.

The direct legislative appropriations and proceeds from the AUF (Available University Fund) and SMF available (Special Minerals Fund) to the System Offices cover only 33 percent of their expenditures. The System Offices rely on a system of charge-backs or assessments to member institutions and agencies to provide the balance. Member CEOs expressed several concerns about this method of funding.

- **equity of assessments** – some CEOs contend that the measures used to determine their share of costs do not seem to relate closely to their actual use of System Offices services. For instance, half of the assessment levied to support the Office of General Counsel is based on equal shares for each System member, yet their actual use of legal services varies significantly.

- **cost-consciousness** – some CEOs believe the System Offices do not set their own budgets as frugally as they should, since they can simply pass the costs along to member institutions and agencies.

- **accountability** – member agencies and institutions want more transparency as to what services are provided and how assessments are determined.

RECOMMENDATION 5:

The System should conduct an extensive review of how shared services are funded to address member concerns about equity, cost and accountability.

Given member concerns about the charge-back process, TAMUS should undertake a comprehensive review of how shared services are funded, including a cost allocation study considering utilization levels for each shared service.

FISCAL IMPACT

This recommendation would require $50,000 to retain a consultant skilled in the analysis of workload and financial data for administrative functions and the development of university funding methodologies.

SS4   ISSUE: Leaders of TAMUS shared services units may lack the authority to make decisions that would allow them to achieve their efficiency goals.

TAMUS has many shared service units with a long history of efficient and effective operations. As new units are created, however, or when new functions are assigned to existing units, disagreements can emerge. In some cases, TAMUS lacks the decision-making or governance structures needed to resolve such differences.

Perhaps the greatest such challenge concerns the Office of Sponsored Research Services, which must harmonize the practices and policies of seven organizations (TAMU, TEES, AgriLife Research, AgriLife Extension, TTI, HSC and Research Foundation) into a single set of policies and procedures that promote efficiency and improved customer service.

One limiting factor, for instance, is the lack of a clear governance structure that outlines a process for defining and implementing common best practices when opinions differ among System members.

RECOMMENDATION 6:

TAMUS should specifically authorize the System chief research officer, with input and advice from System members, to choose and *require* specific best practices for use by all members within OSRS.

These practices should guide procedures such as travel reimbursement, purchasing and the treatment of costs to assure compliance with sponsor requirements and government regulations.

This step would hasten the adoption of uniform policies and practices to further enhance customer service and would allow OSRS to realize an additional savings of 15 FTE positions beyond its original plans.

FISCAL IMPACT

Based on the analyses in the Schaefer report, a reduction of 15 positions would result in an annual savings of approximately $900,000.

SS5   ISSUE: Shared service units cannot reach their full potential due to a lack of full participation by all eligible members.

OSRS is developing a more robust and efficient research administration system to provide researchers with cost-effective, high-quality services. Additional efforts and authority could greatly improve this effort.

However, some System members often are reluctant to participate in shared service arrangements due to concerns about service quality, the loss of resources or loss of control. Yet participation by *all* members is essential to achieve maximum efficiencies.

Again, an example concerning OSRS illustrates this point. TAMUS has set a goal of pushing systemwide research spending above $1 billion annually within the next few years. One way to further this goal is the adoption of common, efficient research management practices throughout the System so that the maximum amount of support can be channeled directly to faculty and scientists, and the smallest possible amount to research administration. Greater efficiencies also could be achieved by increasing member participation in shared services to realize greater economies of scale.

RECOMMENDATION 7:

As OSRS becomes more fully developed, System members should, under the guidance and authority of the chief research officer, move remaining research administration activities (and perhaps other activities such as public service) to OSRS.

For members outside Brazos County, this could involve the location of some personnel at the member location and others at OSRS offices. Even so, we recommend that all members adopt common software platforms and internal business practices, and that the chief research officer be authorized to require these steps.

FISCAL IMPACT

Although the dollar amount of savings cannot be determined at this time, expected efficiencies from the creation of OSRS are in the 10 to 20 percent range for functions previously performed by the individual System members.

SS6   ISSUE: Transition to new shared service arrangements will lag unless close attention is paid to a number of decisions regarding governance, accounting and compliance.

As described in several of the preceding issues, shared services have the potential to realize significant productivity gains for System members. However, progress in implementing plans for shared services units can be delayed when concerns are raised by members about perceived shortcomings in new policies and procedures. Further, issues related to the best way to account for and fund new units require attention.

RECOMMENDATION 8:

The Chancellor should appoint a special adviser to monitor implementation of shared services arrangements and provide guidance on resolution of issues as they arise.

The special adviser should have direct access to the Chancellor and be knowledgeable about best practices developed by other university systems to achieve more cost-effective operations.

FISCAL IMPACT

The recommendation could be implemented through a contractual services agreement for approximately $50,000.

SS7   ISSUE: The System Offices have a number of vice chancellors who have little time to fulfill their roles because they are extremely busy with their primary responsibilities.

It became apparent during interviews with System officials and university and agency CEOs that several vice chancellors and support staff jointly funded by the System Offices have little time to provide the level of oversight and policy services to the System through the System Offices as originally intended. Although they provide some services, they have been extremely busy with their primary responsibilities at their respective agencies.

RECOMMENDATION 9:

The System Offices could reduce administrative overhead by eliminating the joint funding of Vice Chancellor positions for Agriculture, Engineering and Health Science and support staff.

This recommendation would eliminate the joint funding of six positions including the Vice Chancellors for Agriculture, Engineer, and Health Science along with the Associate Vice Chancellor for Agriculture, Assistant to the Vice Chancellor of Engineering and the Executive Assistant to the President and Vice Chancellor for Health Science.

FISCAL IMPACT

The elimination of the joint funding of these six positions would result in an annual reduction of administrative overhead for the System Offices of approximately $455,000. There would be corresponding increases at the vice chancellors' respective agencies.

Finance And Accounting

Over time, financial administration units have comprised one of the largest components of the System Offices. These units provide support to the Board of Regents and System members in areas including budgeting, accounting, treasury services, procurement, transportation and administrative computing.

Continuing advances in administrative technology and recent staff reorganizations offer opportunities for greater efficiency.

FA1   ISSUE: The accounting unit has three vacant positions.

Two of the three positions have been vacant for some time, while the third became open recently. The unit has adjusted and adapted over time to working without two positions, which were subject to the hiring freeze. The loss of a third, however, may be more problematic.

Because they have adapted well without two positions, it is likely that these can be eliminated permanently without affecting operations, but the third should be filled as soon as possible to prevent critical delays in invoice processing and other essential accounting functions.

RECOMMENDATION 10:

Eliminate two of three vacant positions in the budgets and accounting section.

FISCAL IMPACT

The elimination of the two accounting assistant positions would result in an annual savings of about $74,700.

FA2   ISSUE: TAMUS' financial management systems do not meet its needs, and maintaining multiple systems does not comply with Board of Regents directives.

TAMUS's primary financial management information system, *FAMIS*, provides general ledger, payroll, budgeting, accounts payable and other accounting and finance-related functions. It is the primary accounting system used by most members of the A&M System, with more than 4,300 individual users. FAMIS, purchased in 1999, has been heavily customized and updated to meet evolving requirements and add features such as Web-based interfaces. A FAMIS Services unit within the System Offices' Business Computing Service Department supports the system.

TAMUS human resource and budget/accounting employees use the *BPP system* (Budget/Payroll/Personnel), an integrated HR data management system, to create and maintain salary budgets, payrolls and personnel data.

TAMUS also uses a separate financial management system, *IMPACT*, for construction projects.

To further complicate matters, three system members (TEEX, TEES and WTXAM) use still other financial management information systems. None of these systems is fully integrated with FAMIS; summary-level interfaces are used to facilitate financial reporting.

Multiple, non-integrated systems lead to duplicated effort and a continuing need for reconciliations. It is also likely to lead to errors that reportedly cause spending problems due to uncertainty about project budgets and balances between FAMIS and IMPACT.

Any movement to a common financial management system will require strong system leadership from Business Computing Services (BCS) and the Budget and Accounting Division, as well as the full cooperation of all members.

Many factors led TAMUS to continue to invest in and enhance the FAMIS and BPP; the platforms are reliable and stable. Even so, BCS leaders recognize the need to ensure their long-term viability. BCS' Strategic Plan of April 2011 calls for evaluating the need to rewrite BPP and FAMIS to a different architectural infrastructure. This step has yet to be undertaken. The plan does not propose entirely replacing either system, and according to sources interviewed such an endeavor would involve staggering costs estimated as high as $100 million.

RECOMMENDATION 11:

Evaluate the benefits and costs of rewriting BPP and FAMIS to different architectural infrastructures versus replacing current systems, and determine the best course of action.

FISCAL IMPACT

The evaluations could be conducted in-house and within existing resources, but an undertaking of this magnitude could benefit from outside expertise.

FA3   ISSUE: The System Offices maintain a unit to provide procurement services.

The Finance and Accounting Division contains a purchasing unit of a manager and four employees. Because TAMUS' buying needs are so small compared to those of the flagship university, a better shared services model would be to eliminate this function at the System Offices and transfer the responsibility to TAMU staff.

RECOMMENDATION 12:

TAMU should handle purchasing for the System Offices.

The System Offices would retain one position to function as a coordinator and to serve as liaison with the campus procurement office on associated matters including solicitations, evaluation of bids, securing price quotes, placing orders and contracting. The liaison would assist System Offices staff with their buying and contracting needs, administer the HUB program, communicate System Offices' needs to TAMU procurement staff and coordinate the receipt and distribution of materials ordered.

FISCAL IMPACT

By consolidating the System Offices' procurement function with TAMU's, the System Offices could eliminate four positions: System HUB coordinator, System Offices HUB coordinator, buyer I and procurement assistant. This would result in annual savings of approximately $265,800.

FA4   ISSUE: As of February 1, 2012, the Texas Department of Transportation (TxDOT) will handle flight reservations for the System Offices.

The System Offices no longer needs the assistant director of aircraft operations position.

RECOMMENDATION 13:

Eliminate the assistant director of aircraft operations position.

FISCAL IMPACT

This would result in an annual savings of approximately $62,850.

FA5   ISSUE: System administrative overhead can be further reduced through staff reductions.

In discussions with System Offices staff, it was noted that the senior accountant position in Budgets and Accounting would soon become vacant and its responsibilities could be transferred to other staff in the unit.

RECOMMENDATION 14:

Eliminate the vacant senior accountant position in Budgets and Accounting.

FISCAL IMPACT

This would result in an annual savings of approximately $67,000.

Internal Audit

To ensure that their policies and procedures are followed and resources are used effectively, most large organizations have established an internal audit function. The TAMUS Board of Regents established its internal audit as an extension of the System Offices, to serve as an independent source of advice and information and to provide services to the chief executive officers of System members.

It is important to note that the Internal Audit office is *not* a unit of the System Offices and answers directly to the Board of Regents; nevertheless, for the sake of this study, it is included within the review of all other Systems Offices.

IA1   ISSUE: Several campuses use local compliance officers or programs to perform activities resembling internal audit.

It may be that these CEOs recognize that the System's internal audit unit can cover only so much, given its resources and mission, and recognize the value of strong internal review. Even so, maintaining multiple audit and compliance review programs can lead to overlap and the inconsistent application of auditing procedures and standards.

This practice should be reviewed to ensure that efforts are not duplicated, common standards are maintained and System and campus resources are used efficiently. Internal audit is a valuable function, but it should be directed by a sound risk assessment process and its benefits should not be outweighed by its cost.

RECOMMENDATION 15:

Create a systemwide inventory of audit and compliance review programs at member institutions and agencies.

Once inventoried, TAMUS should assess these programs and determine if their functions are duplicated by Internal Audit, OSRS or another group. This assessment should be considered in the development of the System's annual risk assessment.

The consulting team believes it is most appropriate for these functions to be centralized, but if separate internal audit functions are adequately justified and appropriate, the System should ensure that strong communications channels connect them and relevant System offices.

FISCAL IMPACT

This inventory could be conducted with existing resources.

IA2   ISSUE: The Internal Audit Office needs more information system auditing professionals.

At present, the Internal Audit Office has three vacant positions. The System Offices should consider the office's shortage of information system audit professionals.

Because the use of technology is so essential to System Offices and members, and because TAMUS uses literally thousands of desktop/laptop computers, mainframes, servers, data centers and databases, many of them containing confidential data, information system oversight should be conducted by highly trained audit professionals.

A September 23, 2010, presentation made by the System CIO to the audit committee of the Board of Regents discussed IT audit findings and member and System CIOs' perspectives on them. An important part of this discussion concerned the information security standards prescribed in chapter 202 of the Texas Administrative Code. As a result of the findings of internal audits, TAMUS authorized the creation of two positions to focus on System and member security issues, and established an information security officer (ISO) working group.

According to officials interviewed, however, only one of the two positions was filled.

RECOMMENDATION 16:

Two of the thee vacant internal audit positions should be filled by Certified Information System Auditors (CISAs), Certified Information Security Professionals (CISSPs), Certified in Risk and Information System Controls (CRISCs) or other professionals with similar credentials or appropriate experience.

Many key staff members the team interviewed believe that IT security is the most important issue facing the System. Internal audit staff with appropriate certifications and qualifications should prove valuable to members throughout the Texas A&M system, particularly at smaller campuses that may lack the financial and human resources needed to address such issues.

The department generally meets its annual audit plan goals, which is commendable and even unusual, given that internal auditors often face unforeseen problems and special projects throughout the year. Because the unit is generally meeting its audit plan goals, we also recommend that one of the three vacant positions be eliminated.

FISCAL IMPACT

Two certified or specially trained information systems auditors could be hired within existing authorized budget. The elimination of one vacant position (internal auditor II) would result in annual savings of approximately $60,000.

Communications

Public university systems have an obligation to communicate with state leaders and the general public about the services they offer and their challenges and successes. Today, communication offices must work with traditional print and broadcast media outlets as well as the increasingly important electronic media. TAMUS has a network of communication offices across System members as well as in the System Offices that collectively comprise a large news organization.

CO1   ISSUE: TAMUS does not have a full-time chief communications officer or Vice Chancellor for Marketing and Communications.

TAMUS has not had a full-time communications officer to focus solely on developing a unified brand and message for the entire System. Consequently, the System is not able to fully tell the fascinating story of its capabilities, endeavors and accomplishments.

Given its size and complexity, TAMUS must establish a clear System identity under which each institution operates. The TAMUS brand should be clearly articulated for many key constituent groups within the state as well as nationally and internationally. Each institution's communications and marketing efforts should highlight the uniqueness of the institution itself *and* support the TAMUS brand. To do so, the System Offices must provide strong direction and coordination.

RECOMMENDATION 17:

TAMUS should create a full-time Vice Chancellor for Marketing and Communications to oversee and manage the System's marketing and communications function.

FISCAL IMPACT

The annual cost to the System Offices for a full-time Vice Chancellor for Marketing and Communications would be approximately $358,400.

NOTE: This recommendation was discussed with the Chancellor and has already been implemented.

RECOMMENDATION 18:

A new Vice Chancellor for Marketing and Communications should have primary responsibility for providing messaging, support and media exposure for the System Chancellor and all System members.

A System's message is delivered most effectively by its leader, and should be communicated regularly to various TAMUS stakeholder groups. Coordinating messaging and branding for all System members is an essential part of improving the System's communications strategy.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CO2   ISSUE: TAMUS often fails to achieve recognition it deserves for the work of its agencies.

For example, the 2011 fires in Bastrop County that destroyed a huge number of acres and properties would have caused even *more* damage if not for the work of the Texas Forest Service. Yet many are unaware of TAMUS' affiliation with the service. A December 2011 CNN story, for instance, described the devastating impact of the drought on Texas' trees, using information provided by the Texas Forest Service, yet failed to acknowledge that the agency is part of TAMUS.

RECOMMENDATION 19:

A new Vice Chancellor for Marketing and Communications should make it a priority to ensure that communications from *all* System institutions and agencies reinforce the System brand.

The System also should consider the need to rebrand the agencies to clearly reflect their affiliation with TAMUS.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CO3 ISSUE: TAMUS lacks a cohesive messaging strategy to capitalize on the diverse, unique and essential contributions of its member institutions and agencies.

The distinctive tradition and achievements of the flagship institution creates one of the nation's most exceptional opportunities for passionate loyalty and brand awareness. And each member makes the System stronger, building upon the TAMU's history and reputation. The TAMUS brand is ill-defined, however, making it difficult to maximize consumer and alumni loyalty and develop a resilient national equity in its brand strengths.

At present, the System does not know the full extent of its members' communications resources and how they use and manage these assets.

RECOMMENDATION 20:

The System should develop a comprehensive brand strategy that communicates the TAMUS brand consistently across all consumer touch points and all component institutions, including campus life, web and social media interaction, alumni marketing, earned media and advertising.

It is important to recognize that each agency's and institution's brand has value and equity and any study must respect those brands and take that into consideration.

The first step in developing such a comprehensive brand strategy is to conduct a brand assessment or review of the System and its component campuses and agencies. Such a review can be used to develop key brand strategies related to TAMUS as well as its components.

This brand review also should include a detailed analysis of the System's resources and communications media, including branding and messaging. This can be used to develop a communications plan for public information, public relations, marketing, brand management, image enhancement and advertising for the entire System, and to leverage the System's communications resources to maximize their utility and effectiveness.

More specifically, the brand review would include:

- an assessment of consumer perceptions at all contact points throughout the System.

- market research to assess perceptions about the System and its members, identifying brand strengths and weaknesses among a variety of constituencies including students, parents, faculty, alumni, the national higher education community, influential media, etc.

- an assessment of messages and communications objectives among the System Offices and member institutions and agencies. This would include an in-depth look at the use of brands as

well as communications materials and messages, including processes and policies in place for creative development, editing, proofing, final approval and tracking brand usage.

- development of a plan including key messages, goals, objectives and strategies to improve the effectiveness of TAMUS communications, messaging and brand identity.

Any contracts with outside entities to provide communications support, assistance or consulting *should be discontinued* until the brand review is completed.

FISCAL IMPACT

The cost of a comprehensive, systemwide brand review would range from $150,000 to $250,000. Savings could result from any unused balances on contracts with outside communications consultants, but these cannot be determined at this time.

CO4   ISSUE: TAMUS top management should emphasize cohesive messaging and branding needs.

Universities and agencies may fear that a consolidated communications effort could fail to provide high-quality service and attention to their unique needs. Strong and consistent leadership, with clear communications to universities and agencies, should enhance and strengthen the message for all, not diminish it.

RECOMMENDATION 21:

TAMUS leadership should clearly state and disseminate its requirements and expectations to all System members.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CO5   ISSUE: Inconsistent levels of support and cooperation make it difficult to promote all members of the System with equal effectiveness.

Their varied roles make it difficult to manage common themes and messages. In addition, we found that members' enthusiasm and level of engagement in communications issues varies widely.

TAMUS has extensive communications resources, but their use is not coordinated, and the System Offices lack the authority to compel pooling or sharing of these resources among members.

Approximately 231 positions across TAMUS are associated with some form of marketing or communications. **Exhibit 6** provides a general accounting of university communications staffing, and the units they appear to serve, for each institution or agency. This accounting is based primarily on position title. Further review would require an assessment of each individual job description. Note that four positions, or 1.7 percent, are affiliated with the System Offices.

EXHIBIT 6
Communications Positions By Member And Unit

Institution/Agency	Entity-Wide	Academic Units	Student Units	Advancement Units	Athletics	Other	Total	Percent
Texas A&M University	115						115	49.8%
Texas A&M Health Science Center	5	7		3			15	6.5%
Texas AgriLife - Extension		13					13	5.6%
Texas A&M University Kingsville	6	2	1	2			11	4.8%
Texas Transportation Institute	3	8					11	4.8%
Texas AgriLife - Research		6				4	10	4.3%
Texas Engineering Extension Service	4	2				1	7	3.0%
West Texas A&M University	2	2	1		2		7	3.0%
Prarie View A&M University	2	3	1				6	2.6%
Texas A&M University Corpus Christi	2		1	1	2		6	2.6%
Texas Engineering Experiment Station	3	3					6	2.6%
Texas A&M System Offices	3					1	4	1.7%
Texas A&M International University	2			1			3	1.3%
Texas A&M University Commerce	1		1	1			3	1.3%
Texas A&M University Texarkana	1			2			3	1.3%
Texas Forest Service	3						3	1.3%
Tarleton State University	2						2	0.9%
Texas A&M University Central Texas	2						2	0.9%
Texas A&M University San Antonio	2						2	0.9%
Texas A&M University Galveston	2						2	0.9%
TAMU Totals	**160**	**46**	**5**	**10**	**4**	**6**	**231**	**100.0%**

Source: Communications data provided by TAMUS, 2011.

About 160 positions (69 percent) appear to support the overall institution or agency to which they are assigned. The remaining 71 positions (31 percent) support a variety of key institution or agency functions including academics, student affairs, student recruitment, alumni outreach, fundraising, athletics and other specialized services (primarily in Texas AgriLife Research and TTI).

RECOMMENDATION 22:

The new TAMUS Vice Chancellor for Marketing and Communications should articulate a System policy for external communications and monitor compliance by all System members.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CO6   ISSUE: Communications staffing at some System members appears to be higher than would be expected given their size.

Exhibit 7 provides the number of communication-related positions at each member institution or agency compared to its overall size. The positions displayed exclude grant-funded and non-salaried positions.

Four institutions and six agencies exceed the median of 0.7 communications staff per 100 total faculty and staff positions. Using this simple median to determine average number of positions that might be expected to exist within this function, we would anticipate potential position reductions among agencies and universities of 17.58 positions.

EXHIBIT 7
TAMUS Communications Positions Versus Total Positions

Institution/Agency	Student Enrollment	Total Faculty & Staff Positions	Total Communications Positions	Communications Positions Per 100 Total Faculty/Staff
Academic Institution				
Texas A&M University	49,130	11,182	83.15	0.74
Texas A&M University-Commerce	10,757	1,234	3.00	0.24
Texas A&M University-Corpus Christi	10,040	1,427	5.50	0.39
Tarleton State University	9,341	1,191	2.00	0.17
Prairie View A&M University	8,785	1,196	4.03	0.34
West Texas A&M University	7,842	928	5.00	0.54
Texas A&M International University	6,856	905	3.00	0.33
Texas A&M University-Kingsville	6,595	1,083	11.00	1.02
Texas A&M University-San Antonio	3,107	289	2.00	0.69
Texas A&M University-Central Texas	2,317	246	2.00	0.81
Teas A&M Health Science Center	1,954	1,649	13.80	0.84
Texas A&M University at Galveston	1,868	413	2.00	0.48
Texas A&M University-Texarkana	1,831	307	2.00	0.65
Texas A&M University at Qatar	483	277	n/a	n/a
Subtotal – Academic Institution	**120,906**	**22,327**	**138.48**	**0.62**
Agencies				
System Offices		324	5.17	1.60
Texas AgriLife Research		1384	9.75	0.70
Texas AgriLife Extension Service		1436	11.11	0.77
Texas Forest Service		396	3.00	0.76
Texas Veterinary Medical Diagnostic Laboratory		143	0.40	0.28
Texas Engineering Experiment Station		504	3.71	0.74
Texas Engineering Extension Service		1354	7.00	0.52
Texas Transportation Institute		402	5.13	1.28
Subtotal - Agencies		**5943**	**45.27**	**0.76**
Total - A&M System	**120,906**	**28,270**	**183.75**	**0.65**

Source: Communications positions data provided by TAMUS, 2011.

As noted above, positions identified as having a marketing or communications focus were identified based on position title only, and some may have significantly different duties.

Furthermore, university/agency goals or focus could significantly affect staffing in this area. For example, a university undertaking a capital campaign is more likely to dedicate additional resources to marketing and communications as part of its outreach to alumni and potential donors. A university undertaking an aggressive student enrollment campaign may focus resources on targeted marketing and communications campaigns in student services.

More detailed information is needed to more fully assess the appropriateness of staffing levels at communications offices throughout the System.

RECOMMENDATION 23:

A more detailed review of the duties and responsibilities of marketing and communications positions should be conducted to identify positions that can be eliminated.

Such a review should begin in Brazos County as that area accounts for the majority of communications personnel in the System.

If sufficient information is not available from existing job descriptions, supervisors should prepare appropriate documentation.

FISCAL IMPACT

Based on the ratio of communications positions to total faculty/staff positions, it seems likely that about 17 positions could be eliminated for a savings of $1.27 million annually.

Federal and State Relations

Funding for members of TAMUS comes primarily from the state and federal governments. At the state level, TAMUS must present its funding requests to the governor and Legislature and provide information to assure these leaders that the System is accountable and uses its resources effectively. At the federal level, TAMUS must be represented in policy debates affecting higher education nationally, to make federal leaders aware of the System's ability to conduct research and service projects of national importance.

FS1   ISSUE: The Vice Chancellor for Federal and State Relations reports to the Chancellor and has coordination responsibilities for all statewide TAMUS legislative initiatives, but has limited oversight of federal affairs.

At the federal level, TAMUS primarily contracts for services to provide general support and visibility. An exception to this approach is targeted coverage for research. An Office of Federal Relations within the larger Office of Research reports to the System's chief research officer. This office reportedly has been successful in attracting significant increases in federal support for TAMUS research in the past several years. System universities and agencies also devote some key resources to furthering individual federal initiatives.

The Vice Chancellor for Federal and State Relations reports to the Chancellor and has coordination responsibilities for all statewide TAMUS legislative initiates, but has limited oversight of federal affairs. The most recent Annual System Member Survey results (for 2011) rate the System Offices' federal relations efforts as a 3 out of 4, with 1 being "exceeds expectations" and 4 being "does not meet expectations." This contrasts to a rating of 1.8 for the governmental relations function, which assists universities with state relations.

RECOMMENDATION 24:

The Vice Chancellor for Federal and State Relations should have responsibility for all federal relations, including those related to research efforts. [2]

While the Office of Research has enjoyed success in obtaining TAMUS research funding, other, more broadly based federal efforts have received limited attention. The System Offices should have a dedicated System staff resource in Washington, D.C., to help ensure that all universities and agencies receive adequate attention in seeking federal support.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

NOTE: This recommendation was discussed with the Chancellor and has already been implemented.

FS2   ISSUE: The Governmental Relations office has two long-standing vacant positions.

These include an assistant to the Vice Chancellor position and a senior office associate position vacant. At least one of the positions has been vacant since January 2010.

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[2] Based on progress briefings the project team had with the Chancellor during the study process, this recommendation was implemented while the project was still underway.

RECOMMENDATION 25:

Eliminate the two vacant positions in the Governmental Relations office.

The responsibilities assigned to the two positions could be reassigned to others in the office.

FISCAL IMPACT

The elimination of the two positions would result in an annual savings of approximately $119,500.

FS3   ISSUE: The Office of Technology Commercialization has three vacant positions.

Three positions in the Office of Technology Commercialization have been vacant for several months, including a senior licensing manager, licensing manager and licensing associate.

In addition, there is a patent services coordinator position that could be eliminated to help reduce the unit's administrative overhead.

The consulting team was told that the vacant positions' responsibilities are being handled by existing staff and that the patent services coordinator position's responsibilities also could be handle with existing staff..

RECOMMENDATION 26:

Eliminate fours positions in the Office of Technology Commercialization.

FISCAL IMPACT

Eliminating the four positions would result in an annual savings of approximately $310,000.

Chancellor's Office

One of the smaller units within the System Offices is the Office of the Chancellor. In addition to the Chancellor, the office includes employees who assist the Chancellor in managing the System Offices and coordinating systemwide initiatives of high importance that may cut across multiple areas.

CS1   **ISSUE: The responsibilities of the Veterans Support Office could be modified and reassigned.**

The Veterans Support Office was established to coordinate and foster a close working relationship among veteran students and their campuses' offices of student and academic affairs, to ensure that services for veteran students are directed and promoted adequately.

Many universities and university systems house their Veterans Support or Veterans Affairs offices in the Department of Academic Affairs or the Student Affairs Office at each campus.

Given that all 11 TAMUS universities have been designated as "military friendly" by the Service Members Opportunity Colleges organization, the campuses are well positioned to help veteran students make the transition from military to student life.

RECOMMENDATION 27:

Clearly establish that veteran support coordination is an individual campus responsibility, and that the System Offices will assume a monitoring role.

The responsibility for monitoring campus support of veteran students should be moved from the Chancellor's Office and assigned to the System's Communications Office to maintain ongoing communications with campuses to help ensure veteran students are getting the support they need.

This would allow the System Offices to transfer the position to the Communications Office and modify the job description to reflect the position's new job duties.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CS2   **ISSUE: The Assistant to the Chancellor position has been vacant since October 2011.**

This strongly indicates that the position is not critical to the operations of the Chancellor's Office.

RECOMMENDATION 28:

Eliminate the position of Assistant to the Chancellor.

FISCAL IMPACT

The elimination of this position would result in an annual savings of approximately $65,900.

CS3   **ISSUE: The events coordination function could be handled by another position in the Chancellor's Office.**

The events coordination function could be handled by the office associate position. This would allow the Chancellor's Office to reduce its administrative overhead.

RECOMMENDATION 29:

Responsibility for events coordination should be transferred to the office associate position and the position of events coordinator eliminated.

FISCAL IMPACT

The elimination of this position would result in an annual savings of approximately $57,300.

CS4   ISSUE: A senior office associate position could be eliminated to reduce the System Offices' administrative overhead.

The responsibilities of this position could be reassigned to other staff in the Chancellor's Office.

RECOMMENDATION 30:

Eliminate the senior office associate position in the Chancellor's Office.

FISCAL IMPACT

The elimination of this position would result in an annual savings of approximately $44,000.

CS5   ISSUE: The System Offices do not follow up on action plans developed by their departments to address low scores on annual member surveys.

When departments within the System Offices receive low customer satisfaction scores, they must develop corrective action plans to address members' complaints and concerns. It is *assumed* that the departments then implement these plans, but no follow-up is conducted to verify such action.

RECOMMENDATION 31:

Develop an accountability system to ensure that corrective action plans are implemented.

This system could be modeled after the one used by Internal Audit to ensure its recommendations are implemented.

Internal Audit's accountability system requires those responsible for making changes or corrections as a result of an internal audit to periodically report to the Board of Regents on their progress. In this case, the status of action plans should be reported to the Chancellor's Office.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

CS6   ISSUE: The Deputy Chancellor position has been vacant since October 2011.

This strongly indicates that the position is not critical to the operations of the Chancellor's Office.

RECOMMENDATION 32:

Eliminate the Deputy Chancellor position.

FISCAL IMPACT

The elimination of the Deputy Chancellor position would result in an annual savings of approximately $384,000.

General Counsel

The Board of Regents, as the corporate entity for TAMUS, requires legal advice for its effective operation and also needs representation whenever it is a party to litigation. For a number of years, TAMUS has provided legal services to the Board, the Chancellor and System members through the Office of General Counsel (OGC).

GC1   ISSUE: The Health Science Center has its own attorney.

The Health Science Center (HSC) has its own attorney, but OGC still provides it with a wide variety of legal support in matters such as real estate, contracts and human resources.

RECOMMENDATION 33:

Move the chief legal officer position in HSC to the Office of General Counsel.

System Policy # 09.04.01 charges OGC with "providing legal services to the system and its members." *All* System and member legal staff should be housed in OGC. The rationale for the policy is to help ensure that all legal affairs of the System and its members are handled consistently, comprehensively and conducted through a single office.

It is important that no staff of System agencies and universities has any reference to "legal affairs" in their job titles or descriptions and that no staff provides legal advice and counsel to agency or university personnel as it is necessary that legal services are rendered through OGC.

FISCAL IMPACT

This recommendation would add one position to the General Counsel's office, increasing its costs by approximately $353,000 annually. HSC's budget would be reduced by the corresponding amount.

GC 2   ISSUE: Two positions in the General Counsel's office are vacant.

One legal secretary retired on January 31, 2012, and one assistant general counsel position has been vacant since August 13, 2011.

RECOMMENDATION 34:

Eliminate the legal secretary and assistant general counsel positions.

The consulting team was told that existing staff can handle the workload of these positions.

FISCAL IMPACT

The elimination of these positions would result in an annual savings of approximately $153,000.

GC3   ISSUE: The System Offices do not have a comprehensive approach to ethics and compliance.

Laws and rules affecting the operations of colleges and universities have become increasingly complex. At the same time as decreasing government budgets have increased competition for less grant funds, federal regulatory agencies have changed their rules to encourage and/or require robust compliance programs for contractors in exchange for favorable presumptions and reduced sanctions. These rule

changes have made it very clear that federal contractors will be held to high standards and must take steps to create a culture of compliance.

Compliance history has become a determinative factor for awarding government contracts. A systematic, proactive approach to effective risk management and compliance is needed to help ensure that an ethical and safe environment and culture of compliance is maintained throughout TAMUS.

University systems are appointing high-level ethics and compliance officers and establishing central ethics and compliance offices. Appointment of compliance officers and establishing compliance offices by colleges and universities has often been as a result of major compliance failings. For example, the University of Texas System was one of the first institutions of higher education to establish a compliance office as a result of a major failing to detect fraud in medical billing. The University of California System established a very robust compliance office (manned by approximately 17) as a result of a widespread compensation manipulation issue.

As a result of failure in research compliance and follow-up reporting failures at TAMU in the select agent research program, the TAMUS Board of Regents approved a Research Compliance Policy (15.03) in 2010 and the Chancellor appointed a System Compliance Officer (SCO). The idea, at the time, was to address the high-risk area of research compliance, to implement a method of operation and then to build a more comprehensive compliance program based upon that model. The Chancellor appointed the General Counsel as SCO. When the system administration changed in the summer of 2011, the Chief Research Officer was given approval to move the research compliance function under that office.

Except for the research compliance initiative at the System level, TAMUS has a decentralized overall compliance program. Operational oversight resides ultimately with the member CEOs but with the various VPs, deans and directors serving as designees. Oversight from the System Offices has been provided as needed by Internal Audit and the Office of General Counsel. Because of fiscal constraints, members have often been left with no choice but to add increasing responsibilities to undermanned, undertrained, and underfunded offices. This fact can mean high-risk endeavors are not being adequately managed and effective oversight is anecdotal and not systematic.

RECOMMENDATION 35:

TAMUS should establish a System Ethics and Compliance Committee and appoint a System Ethics and Compliance Officer.

A trained and experienced Ethics and Compliance Officer would serve as a "champion" for compliance and a "hub of the wheel" facilitator of effective compliance programs throughout the System and serve to assist those members who need additional guidance. Creation of the position would help alleviate real and perceived conflict issues by creating an independent compliance overseer of current, shared service operations (e.g., Chief Safety Officer, Chief Research Officer, and Chief Information Officer). Also, the position could assume the function of Empowered Official for export control matters for System functions, such as OSRS, OTC and IT as foreign nationals may be employed, thus necessitating technology control plans.

The System Ethics and Compliance Committee, made up of the Chancellor, the Chancellor's Executive Committee, the General Counsel, and the Internal Auditor, in consultation as necessary with the System Chief Officers who are responsible for certain high-risk operations, would consult with the Ethics and Compliance Officer to identify emerging risks.

The Ethics and Compliance Officer would be appointed by the Chancellor and could report to the System's General Counsel.

The System Ethics and Compliance Officer (SECO) should work with other System offices and members to establish and maintain an effective systemwide ethics and compliance program and to coordinate ethics and compliance activities throughout the System.

FISCAL IMPACT

Salaries and benefits for the new position would amount to approximately $236,800.

Human Resources

With nearly 450 positions, the System Offices have an ongoing need to recruit new personnel, evaluate employees and develop professional growth plans, provide training and assist staff with benefit programs. The human resources office within the System Offices is one of eight supporting TAMUS members in Brazos County.

HR1   Issue: The placement of HR services within the System Offices is inconsistent with the shared services initiative.

The TAMU System Offices have two HR-related functions.

The *Human Resources Office*, which reports to the CFO and treasurer, provides HR services to the employees of the System Offices. The office currently has two vacant positions. Its functions include assisting employees with insurance, retirement, deferred compensation and other needs, and working with other System Offices departments to recruit and hire staff. The office uses the TAMU payroll system and the standardized online training programs available to all TAMUS institutions and agencies.

Although it can be very busy at certain times of the year, and especially in recent months due to the transfer of employees from member institutions to OSRS, the functions of the System Offices' HR unit could be handled by the TAMU HR office (or by a centralized Brazos County HR office for all TAMUS members and agencies in the county, if a subsequent recommendation is implemented; see below).

Unless the TAMU HR office reduced its staff after the OSRS transfers, it should be able to accommodate the additional workload.

The other HR-related function in the System Office, *Benefits Administration*, is tasked with systemwide benefits administration, including plan design, pricing, RFP negotiations, etc. This function is housed administratively under the Director of Risk Management and Benefits Administration, and includes 10 positions. No change is anticipated there.

At present, TAMUS has no broader-based HR function coordinating other traditional HR responsibilities such as classification and compensation administration, training, payroll, application processing and records management.

RECOMMENDATION 36:

Transfer the System Offices' HR function to TAMU.

The positions of human resources representative and human resources administrator should be eliminated. Two positions should be retained to facilitate transition issues and act as liaisons. Assessment fees should be adjusted accordingly.

FISCAL IMPACT

The elimination of these two positions would result in an annual savings of approximately $103,000.

HR2   Issue: TAMUS is realizing few shared service opportunities for human resources among its Brazos County-based components.

Eight separate TAMUS HR offices exist in close proximity within Brazos County. **Exhibit 8** provides FTE counts and salary expenditures for HR positions across the county, including the System Offices, TAMU and affiliated agencies. These total approximately 92.45 FTEs and $5.5 million in annual salary expenditures. (*Note: the chart provided to MGT does not include staffing for benefits administration.*)

EXHIBIT 8
Salary Budgets For Human Resources Positions In Brazos County
By Institution/Agency, November 2011

Institution/Agency	Total Faculty & Staff Positions	Total HR Positions	Total FTE	Total Salary Expenditures	HR Positions Per 100 Faculty/Staff
Academic Institution					
Texas A&M University	11,182	40	40.00	$2,433,764	0.36
Texas A&M Health Science Center	1,649	6	6.00	$404,028	0.36
Agencies					
System Offices	324	4	3.60	$242,840	1.11
AgriLife*	2,963	15	14.50	$790,476	0.49
Texas Forest Services	396	6	6.00	$281,996	1.52
Texas Engineering Experiment Station	504	8	7.10	$465,112	1.41
Texas Engineering Extension Service	1,354	9	8.25	$454,502	0.61
Texas Transportation Institute	402	7	7.00	$444,248	1.74
Totals	**18,774**	**95**	**92.45**	**$ 5,516,966**	**0.49**

*AgriLife Human Resources office provides services for AgriLife Research, AgriLife Extension and Texas Veterinary Medical Diagnostic Laboratory.

Source: Human resources positions data provided by TAMUS, 2011.

In addition to the 40 FTEs and $2.4 million dedicated to HR at Texas A&M University, the System has 52.45 additional FTEs and $3.1 million in additional HR resources within Brazos County. Furthermore, TAMU's colleges of Engineering and Agriculture also maintain separate HR functions and interact with their associated agencies (TEES, TEEX and AgriLife).

All TAMUS agencies and institutions use standardized online training modules. This service previously was housed in the System Offices but was downsized and transferred to TAMU. The TAMU HR office also provides some other services for TAMUS agencies and institutions, generally by request. For example, some universities/agencies use TAMU's position vacancy listing (through the PeopleSoft operating system), and its classification and compensation system. TAMU's Employee Assistance Program (EAP) also can be used by other TAMUS components.

RECOMMENDATION 37:

TAMUS should consolidate its Brazos County HR resources at TAMU.

Given the spending involved, and the close proximity of HR employees in Brazos County, TAMUS should consolidate this function to eliminate duplication and reduce costs. A similar recommendation to centralize HR transactional services was made after extensive study by the Human Resources Shared Services Initiative Team in 2009.

The TAMU HR office should handle all routine agency and campus HR functions, including classification and compensation administration, records management, benefits assistance and the employee assistance program. One or two high-level HR positions could be retained by or assigned to each TAMUS entity to address unique needs.

This action would allow the System to eliminate the majority of HR positions in Brazos County. Given the typical recommended ratios of HR positions, 22 positions could be eliminated.

FISCAL IMPACT

The elimination of 22 HR positions would result in an annual savings of approximately $1.68 million.

HR3   ISSUE: A broader HR consolidation or shared services initiative could cover *all* TAMUS member institutions.

As resources become scarce, and university systems continually strive to keep as many of those resources as possible in the classroom, more efficient methods for service delivery become highly desirable. Shared services across units are becoming especially prominent in areas such as finance, human resources and information technology.

A number of recent studies have considered the feasibility of consolidating various services including HR across all TAMUS institutions.

Routine HR activities (such as records management, classification and compensation system development and maintenance, benefits enrollment, performance evaluation system development and HRIS coordination) can be delivered more efficiently and effectively in a consolidated or shared services environment. A leaner HR then may focus on more complex tasks such as employee relations, dispute resolution, counseling and organizational development.

RECOMMENDATION 38:

TAMUS should begin a broader consolidation and shared services initiative focused on the more routine components of HR service delivery.

Through the adoption of "guiding principles" for the project, and the identification of key resources needed to move it to implementation, significant operational savings and efficiencies can be realized. An HR advisory group should assist in this effort.

FISCAL IMPACT

The fiscal implications of this recommendation cannot be determined at this time, but significant savings are anticipated.

Facilities Planning and Construction

With new institutions and significant growth at established universities, TAMUS had engaged in a major series of capital expansion programs during the past several decades. Facilities planning and construction has been managed on a shared services basis, with staff from the System Offices working with campus officials to determine the types and functions of new buildings, select building designers and contractors and oversee construction projects.

FPC1   ISSUE: The current project management system appears to drive up project costs.

Part of the rationale for the widespread adoption of the Construction Manager at Risk (CMAR) project management system was to facilitate project coordination and compress the schedule for project design and construction.

Staff members report that the CMAR approach saves four to five months in the design process. It *also* increases project costs, however, as contractors build in a risk premium for their work. Furthermore, it had not addressed other key factors that cause project delays and drive up costs, such as continued program development during the design process, the change order system and a project closeout process that fosters delays. Each of these issues must be addressed if projects are to be completed in an efficient, cost-effective manner.

Industry best practices indicate that contractor incentives are best used for *time-sensitive* projects, where early completion offers substantial benefits to the client. Such incentives are *not* an effective way to reduce costs, since early completion can involve contractors passing along premium costs for overtime, expedited delivery of materials and other expenditures that more than offset any savings due to a shorter work cycle.

Facilities Planning and Construction (FP&C) staff indicated that they have swung back and forth between bidding some projects as CMAR to bidding *most* in this way. At present, about 80 percent of TAMUS projects are being developed under the CMAR project management system.

RECOMMENDATION 39:

Develop and employ formal criteria to determine when to bid projects under the Construction Manager at Risk approach.

These criteria should be used to determine when projects should be bid as CMAR and when they should not. Not all projects require an expedited schedule, particularly since CMAR often results in higher costs.

FISCAL IMPACT

This recommendation could result in savings of approximately $6.1 million.

This estimate assumes that CMAR-bid projects contain a risk premium that increases costs by 15 percent. About 80 percent of the construction program is currently managed through CMAR. With a 2012 construction program of $204.4 million, this implies that $161.5 million in construction projects are managed through CMAR. Reducing the share managed through CMAR from 80 to 60 percent should result in the estimated savings of $6.1 million.

FPC2   ISSUE: FP&C's five construction management teams each use different procedures and processes.

FP&C's teams have been organized according to the dollar volume of projects they manage at any given time, with each team using different procedures and processes, making the coordination of projects as well as shifting staff among teams difficult.

TAMUS has used contracted project managers for construction in remote areas, Turner Construction for campuses in the north and Parsons for projects in the south. Broaddus has been used specifically for health/science type facilities. This approach leaves staff project inspectors available for high-priority projects throughout the System. Greater reliance on contract project inspectors to supervise geographically dispersed projects could further reduce the amount of travel time currently incurred by System employees.

RECOMMENDATION 40:

Reorganize the department to increase flexibility and standardize procedures to help ensure consistency across project teams.

Reorganizing the department would help FP&C streamline its staffing and reduce administrative overhead, while a standard set of procedures would help ensure consistent project management. Standard procedures also would allow managers to shift staff around as needed without causing undue project management problems.

FISCAL IMPACT

This recommendation should allow the System to eliminate some staff positions. Specifically, MGT recommends that one data systems administrator, one systems mechanical engineer, one drafter/surveyor and one senior project planner position be eliminated.

This recommendation would result in an annual savings of approximately $340,600.

FPC3   ISSUE: Project and building designs are not being reviewed in a timely manner, so that many problems are not identified until the construction phase, making corrections costly.

This problem is a result of new projects being bumped up in the Five Year Plan as funding becomes available and as System priorities change.

As a result, each project's Program of Requirements (POR) often is not completed in advance and must be developed concurrently with the design process. As the POR is intended to guide the project design, its delay can lead to design errors, delays and corrective change orders throughout the construction process. The problem can be compounded in cases in which the member institutions also have not completed a thorough feasibility assessment.

The delays in POR preparation relate to the amount of time needed to complete them. Our review of sample PORs showed a level of detail and definition that probably exceeds that required by a competent architect.

A program statement or POR should provide direction on the type of building and requirements associated with its operation. It does *not* have to identify detailed specifications, such as the furnishings required; this is the job of the design architect.

By requiring such a high level of detail in POR preparation, System managers are significantly increasing the amount of time needed to prepare project designs. For high-priority projects that must be expedited, this can result in an incomplete or partial POR, leading in turn to errors, omissions and other mistakes during the construction phase.

RECOMMENDATION 41:

Require the completion of a Program of Requirements (POR), using a streamlined template, *prior* **to project design and construction.**

The simple solution to this problem is a straightforward mandate that PORs *must* be completed and approved for all projects *before* they advance to project design. The policy should be accompanied by a shortened, streamlined POR template that can be competed in a reasonable amount of time, and that provides only the detail needed to provide effective direction to the design architect.

The mandate also should require that all design work and full project cost estimates are finalized *before* a project could be added to the capital plan.

To accommodate special cases or circumstances, an exception process should be created with well-established criteria that must be met to warrant expedited project approval. The CFO should approve such exceptions.

FISCAL IMPACT

This recommendation could be implemented with existing resources. A reduction in change orders and delays would reduce the overall cost of construction projects.

FPC4   ISSUE: Campuses are dissatisfied with work of FP&C because they feel they have little control over their projects.

Members should be better integrated into the project feasibility and POR process to ensure that their needs and priorities are addressed in the development of project scope and design. Once project design and construction are under way, FP&C must maintain ongoing communication with members regarding the progress of the project and any issues that arise.

Project inspectors should work closely with members to help ensure that their interests are represented throughout construction. Customer satisfaction also can be improved by allowing the campuses to submit formal reviews of the performance of both FP&C staff and contracted project inspectors.

Another way to address this issue is to increase the dollar threshold for campus management of capital projects. Currently, member campuses can manage any project of less than $4 million. Increasing this threshold to $10 million would allow more campus autonomy while freeing up FP&C resources for larger and more complex projects.

Of the 44 current projects FP&C is managing at this writing, 10 are below $10 million. Increasing the limit for campus management to $10 million, then, could reduce FP&C's number of projects nearly 25 percent. Interestingly, all of these projects are at Texas A&M University, the campus most capable of taking on additional project management responsibilities.

It should be noted that the $4 million threshold initially was set to match the state's threshold limits for projects requiring approval by the Texas Higher Education Coordinating Board (THECB). Moving the System's limits above the THECB limit thus may require the campuses to obtain THECB approval for projects. According to FP&C staff, THECB wants to deal with one responsible party for project approvals. FP&C has always handled these approvals, and the System members are not familiar with the process.

Nevertheless, the savings and greater member satisfaction likely to result from this move should outweigh any difficulties with approvals.

In a related problem, FP&C lacks sufficient inspectors to allow for full-time, on-site project management and inspection. Rather than hire additional inspectors, the System has opted to address this issue by contracting for project management services. The campuses, however, do not feel these contractors are supplying the same level of service FP&C can provide.

This appears to be more of a contract management issue than an intrinsic weakness in the outsourcing arrangements, however. The use of contract inspectors to accommodate short-term or temporary increases in project volume is preferable to hiring staff that may be unnecessary as workloads fluctuate over time. The issues, then, are the "rightsizing" of the work force to the variable size of the construction program, and appropriate oversight over contractors.

The following recommendation to push more project management to the campuses would address this problem, granting greater campus control over construction while improving the System's ability to allocate on-site, full-time inspectors to high-priority projects.

RECOMMENDATION 42:

Increase the threshold from $4 million to $10 million for projects that can be managed by campuses.

FISCAL IMPACT

This recommendation could produce estimated savings of approximately $1.88 million.

As noted above, the recommendation would reduce FP&C's current project roster by 25 percent. FP&C currently allocates 22 construction inspectors/project managers among five teams. Because the projects moved to the campuses would be smaller and less time-consuming, however, it is not reasonable to expect a 25 percent decrease in workload from a 25 percent decrease in the *number* of projects. Assuming it allows a 15 percent decrease in workload, FP&C staffing could be reduced by one area manager, one construction inspector, one electrical engineer and one construction cost analyst, generating annual savings of approximately $376,000.

The 10 projects that would be assumed by the local campuses range from $4 to $10 million in value. Assuming an average value of $7.5 million, the total value of projects moved to the campuses would be an estimated $75 million. A 2 percent efficiency savings associated with local management and oversight thus would result in an additional $1.5 million in savings for projects allocated to the local campuses.

FPC5   ISSUE: The System Offices' purchasing staffing is inadequate, leading to delays in acquiring fixtures, furnishings and equipment for newly completed buildings.

Campuses typically have more procurement employees than the System Offices and are better poised to handle such purchases.

RECOMMENDATION 43:

Allow campuses to purchase furnishings and equipment for new buildings, subject to monitoring and review.

System interior designers could work with the campuses to establish guidelines and policies for such purchases, and could provide technical assistance as needed. Users would be responsible for the installation and certification of furnishings and equipment.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FPC6   ISSUE: TAMUS does not have a formal process for transferring responsibility to the campus when a project or building is finished.

Such a process would help ensure that the campus has all the information (drawings, data sheets, operating and maintenance manuals, warranty information, etc.) needed to manage the project or building once completed. Such a process also should address the length of time associated with project closeout.

Many projects require a lengthy amount of time for official completion, as campuses attempt to reprogram available project funds to cover other priorities rather than allowing them to return to the System. While this practice may be justified in some cases, extending projects simply to ensure that project funds are exhausted complicates acceptance issues such as warranty activation, and does *not* ensure the most cost-effective use of System resources.

RECOMMENDATION 44:

Develop a formal process for transferring project responsibility to campuses when projects are finished, and train campus representatives in the process.

This process would tie project closeout to the specific deliverables defined in the project scope. The current process allows campuses a certain amount of latitude to add to a project at completion, if funds remain available. This allows the closeout process to drag on as users seek to reprogram remaining project funds. A more formal closeout process would address the completion of punch list items and document user acceptance of facilities and systems specifically identified in the original project scope.

When projects are completed below budget, the available funds should be returned to the System for use in meeting overall capital priorities.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FPC7   ISSUE: Campuses sometimes disagree with FP&C design standards.

Each campus has design guidelines (such as the applicability of LEED, hurricane protection, etc.) that inform the specific standards and design decisions associated with a project. FP&C and the member campuses jointly develop these guidelines.

Conflicts, however, can arise regarding project life cycle decisions. For example, the System may build a facility designed to last 50 years, while a campus may want to spend less money and build one with a 25-year expected life. FP&C uses a Life Cycle Cost Analysis (LCCA) to consider construction alternatives and determine the most economical design for the projected life of a facility. Campuses often consider only the upfront construction costs of a project, and note that a shorter useful design life is cheaper.

Industry best practices recommend an LCCA for all significant construction projects, to strike a balance between construction costs and ongoing operation and maintenance expenses. The fundamental issue here is one of more effective communication between FP&C and member campuses, so that the latter will have a better understanding of the relationship between design standards and overall project cost.

RECOMMENDATION 45:

Conduct workshops with campuses on the development of project design standards.

FP&C staff indicated that System members have a say in the establishment of design standards, but that their preferences are not always addressed adequately. To that end, a clearer understanding of the latitude given users in establishing design standards would be helpful. The workshops would cover issues associated in establishing design standards such as geographical risk (such as proximity to hurricane zones), anticipated life cycle, operational costs and competing demands for resources.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FPC8   ISSUE: FP&C should improve its communication and interaction with System members and their coordinators.

Construction projects are complex, with multiple phases and multiple tracks of work running at the same time. To a member coordinator with little experience, the process can be confusing. FP&C staff indicated that many campus representatives are new to their roles and have never had construction project responsibilities before. As a result, the coordinator's ability to fully interact in the project and to adequately communicate its progress to their supervisors can be problematic.

System surveys support this issue, as many TAMUS members believe that they are not fully aware of progress, changes and steps in the construction process. Thus there is a real need to educate campus project representatives (coordinators) in their roles and ensure that they are fully informed of the complexities involved in each project up front and throughout its progress.

This is a particularly critical need in light of the previous recommendation to move more projects to campus management.

RECOMMENDATION 46:

FP&C should formalize and improve its communications with TAMUS campuses.

This should include:

- completion of the FP&C procedures manual, which should include detailed directions to FP&C staff regarding the information to be communicated to member coordinators as projects progress. Examples of critical information that should be provided include:

- upfront understanding of the project cycle and a clear description of FP&C and member roles in the project.

- regular communications regarding project progress and changes.

- detailed information on any issues/changes that may affect the project timeline or scope.

- a formal, documented process for turning over all critical information (such as plans and maintenance schedules) to the member department at the close of the project.

- routine follow-ups after project closure to ensure that the campus or agency fully understands maintenance needs.

- as recommended above, workshops on construction requirements and the development of design standards should be conducted. These should explain the construction process as well as the member's responsibilities in the development of the POR and the relationship of the POR to the design process.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FPC9   ISSUE: The construction management fee the System charges to institutions and agencies should be explained and justified.

The System finance office recently completed formal fee study, and based on its results lowered the fee from 3.75 percent to 2.65 percent. Even so, member CEOs still feel the fee is too high.

RECOMMENDATION 47:

The System Offices should conduct a construction management fee study based on industry benchmarks.

Since many of the member campuses are prepared to assume more responsibility in construction project management, the study should focus on the *market value* of services the campuses cannot provide. Quantifying the value of these services should provide a foundation for calculating a management fee that fairly corresponds to the services sought by member campuses and agencies. The cost of services the System currently provides for free, such as project feasibility studies and campus master planning, should be factored into the fee calculation.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FPC 10   ISSUE: Facilities Planning and Construction has three vacant positions.

These include the chief FP&C officer, a senior office associate and a senior office assistant. These positions have been vacant for several months and the System's CFO indicated that their responsibilities are now being handled by existing staff.

RECOMMENDATION 48:

Eliminate the three vacant positions in FP&C.

FISCAL IMPACT

This recommendation would result in an annual savings of approximately $370,000.
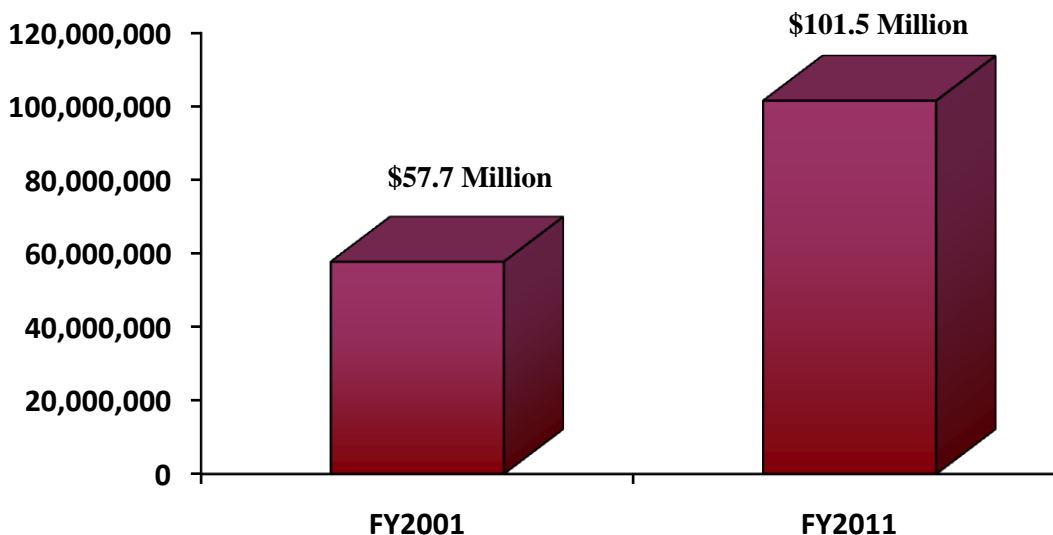
Information Technology

MGT found a decentralized approach to managing IT resources, which typically results in the inefficient use of resources, redundant systems and excessive staffing. Additionally, there is no systemwide strategy to help ensure TAMUS and its members receive the maximum benefit from their investments in IT resources through the coordinated purchasing and deployment of software and hardware, and the use of staff.

Consequently, the consulting team found opportunities for TAMUS and its members to better manage the significant investments they have made in their information technology infrastructure.

Information technology is one of the fastest-growing areas of TAMUS spending (**Exhibit 9**). IT spending increased by more than 75 percent from FY2001 to FY2011, jumping from $57.7 million to $101.5 million.

EXHIBIT 9
Information Technology Expenditures

Source: TAMUS, Internal Auditor, September 2011.

IT1   ISSUE: TAMUS does not have a systemwide strategic vision for information technology, and major IT projects, services and purchases are not coordinated among System members.

At present, most technology leadership is provided at the member level, often resulting in disjointed and uncoordinated efforts as well as redundant services. A 2011 System efficiency audit of IT noted the following examples:

- Seven of 11 universities and the Health Science Center independently implemented the Banner student information system. A coordinated approach could have resulted in significant savings.

- PeopleAdmin, a human resources package, is used throughout the System with little coordination regarding its purchase, implementation or administration.

- The System currently uses five different vendors for emergency notification.

- System members use multiple, redundant applications for document imaging, learning management, credit card processing, safety inspections, chemical inventory, work order processing and parking administration.

RECOMMENDATION 49:

The System Offices' CIO should be authorized to ensure that major IT projects, services and purchases are coordinated across members.

The CIO should be able to ensure the consistency and standardization of hardware and software purchases, reduce redundancies in technology, consolidate resources and improve the security of information systems and networks.

System Policy 29.01 should be revised to reflect the following CIO responsibilities:

- ***coordinate the consistency and standardization of hardware, software and services across the System.*** As noted in Exhibit 8, TAMUS computer-related expenses have nearly doubled since 2000, to more than $101 million in fiscal 2011. Ensuring common standards for software and equipment would help the System obtain better prices through negotiated volume discounts; enhance compatibility; and improve its ability to manage networks. TAMU has developed some standards and negotiated some equipment contracts available to other System members. The System Office, however, is better placed to assume and expand this role. The coordination must take into account the specific needs of each department or agency to ensure service quality improves.

- ***reduce non-productive redundancy across the System.*** The System CIO should direct universities to reduce redundancy and cut costs due to multiple software and systems. For example, TAMU Computing and Information Services (CIS) staff said that students could receive up to three different university email accounts, even though some are used only rarely. Eliminating this redundancy would reduce costs and eliminate a source of confusion among students.

- ***when in the System's best interest, consolidate resources, including networks and hardware, systems and applications.*** Texas A&M University operates two main data centers, in the Teague Building and Wehner Building. TAMU has many more data centers, however, that are not under CIS control. TAMU cannot fully identify the number of "raised floor" data centers on campus, but believes there are more than 40. Consolidating these resources can result in significant savings to the university.

The utility costs associated with these remote data centers can be very expensive. Many universities have begun consolidating data centers and have saved millions annually in technology and utility costs. (This issue is more clearly detailed in IT3.)

MGT believes there is a potential for similar savings in TAMUS, but understands that identifying which data centers to consolidate should involve a carefully considered review. For example, some departments such as Computer Sciences and the Department of Information Technology obviously benefit from using their own networks as part of instruction. Some research and specialty areas may benefit or require separate data centers as well.

- *improve the security of System technology infrastructure.* The daily operations of universities have become increasingly dependent on IT resources for teaching, research and administration, and any disruption to these services due to hacking or malicious attacks can be devastating. Recent headlines show that universities have not been immune to security breaches:

  o *"Hackers recently accessed the personal data, including Social Security numbers, of 7,093 former students of Purdue University."*

  o *"A security incident has resulted in unauthorized access to a Virginia Commonwealth University computer server containing files with personal information on current and former VCU and VCU Health System faculty, staff, students and affiliates."*

  o *"Ohio State University Hacked – Records of 760,000 compromised."*

  o *"Harvard website hacked by Syria protesters."*

Security is commonly a centralized function. Individual departments often are less willing to commit resources to security. A general rule is that the more decentralized a technology infrastructure is, the less secure it is.

TAMUS has valuable intellectual property and personally identifiable information that must be protected. CIS can scan the network for potential weaknesses and intrusions, but much of the network is outside of CIS control and maintained in individual departments. As a result, the System should begin consolidating its decentralized network so that security and control of its network is improved.

Also, the System Offices should coordinate the security of TAMUS information infrastructure, and develop protocols to ensure that appropriate containment steps are taken when a breach occurs.

FISCAL IMPACT

MGT has not conducted a complete review of the component members' IT infrastructure, hardware and systems and consequently cannot precisely estimate the fiscal impact of this recommendation.

TAMUS spends more than $100 million annually on IT. A more centralized, coordinated approach would lead to more cost-effective solutions and the elimination of expensive redundancies; even a 1 percent improvement in efficiency would result in a savings of more than $1 million annually.

IT2   ISSUE: Texas A&M University's Information Technology Strategic Goals and Initiatives 2011-2015 identified the need for a new, 20,000-square-foot data center at a cost of approximately $40 million.

The plan states, "The two existing data centers at Texas A&M are out of space, power, and cooling." The Wehner data center appears to have some cooling limitations created by the facility's physical structure. Our review of the Teague data center, however, found that most of the server racks were only one-third to one-half full. In addition, the Teague data enter can increase usable floor space by "virtualizing" some of its Windows, Linux and Unix servers, as recommended in the 2009 *Server Consolidation Assessment Report* issued by Sirius. Furthermore, the center's cooling capacity is currently being enhanced.

The data consolidation assessment identified in IT1 should include a *full review* of the Teague data center's maximum capacity.

RECOMMENDATION 50:

The need for a new data center should be removed from the university's IT strategic plan until a university-wide assessment of data consolidation and virtualization is completed.

FISCAL IMPACT

This recommendation could eliminate the need for a new $40 million data center.

IT3   ISSUE: TAMUS and it members are not aggressively pursuing opportunities to reduce information technology costs, increase efficiencies and enhance customer services.

Again, the TAMUS information technology function is decentralized among members, with control of equipment, software and staffing largely distributed among individual colleges and departments.

While some steps have been taken toward providing minimal shared services, the System does not have a comprehensive, coordinated strategy for resource sharing. This situation increases the System's operating costs due to redundant software, hardware and staffing, and increases the likelihood of security breaches.

Examples of the decentralized IT management approach can be found on the Texas A&M University campus. In the past few decades, a significant share of TAMU's expansion of its computing capabilities has been funded and directed from within individual departments or colleges, with little thought for the institutional IT infrastructure. While the individual departments have benefited, the overall result is a complex, inflexible and costly mixed IT environment with redundant processes and applications, incompatible technology and excess staff.

As noted, the TAMU campus has a large number of independent data centers. Based on information provided by the university, only 19 percent of TAMU's total data center/server room floor space is located in the two main data centers operated by CIS (in the Teague and Wehner buildings). The other 81 percent is distributed throughout other departments on campus (**Exhibit 10**). Furthermore, CIS manages only about one in five servers on campus.

EXHIBIT 10
Distribution of Data Center Space – TAMU

CIS
19%

Other
Departments
81%
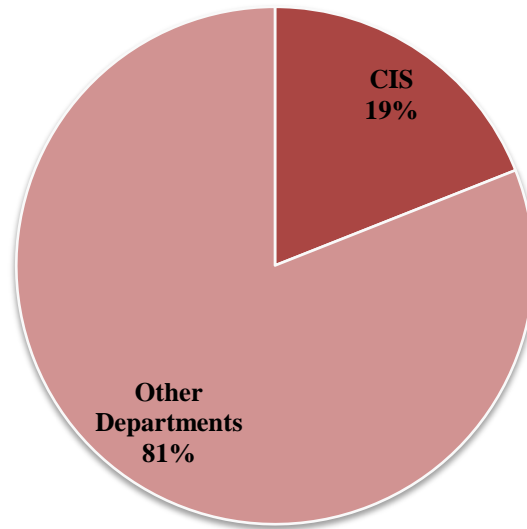
Source: TAMUS, Chief Information Officer, February 2012.

The departments and colleges owning these distributed data centers have hired their own IT staffs to maintain the data centers and computer equipment. In fact, System Offices data indicate that nearly 60 percent of TAMU staff members with IT position titles are employed outside of the central IT department (**Exhibit 11**). This inevitably results in weak and ineffective administration of IT resources.

EXHIBIT 11
Distribution of IT Staff - TAMU

Central IT
42%

Other
Departments
58%
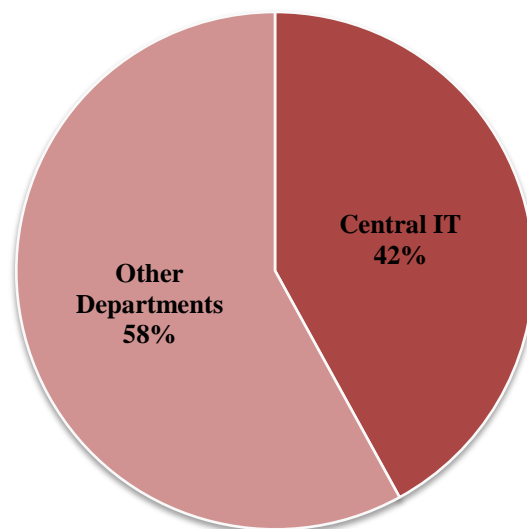
Source: TAMUS, Budgets and Accounting, February 2012.

The decentralized approach also makes it difficult for Texas A&M University to develop a full accounting of all computers, related equipment, software and staff dedicated to the IT function. Throughout this project, TAMU's Computing and Information Services unit struggled to provide accurate information regarding the number of data centers and the number and types of servers on the campus network.

Further complicating the coordination of IT services is the fact that software initiatives are normally provided as "offerings" rather than *required* implementations. System members are not required to make use of the software TAMUS purchases or develops, even if it is intended for use throughout the System. This lack of control leads to redundancy and complicates system interoperability while increasing maintenance and support costs.

In the past few years, universities across the country have taken steps to consolidate their data and information technology functions to improve services while reducing costs.

In 2010, for example, the University of Illinois began to reduce its IT administrative costs. As with Texas A&M, it found that a significant number of data centers and server rooms (151) had been established independently across its campuses. Some were housed in offices with insufficient cooling and electrical overloads, resulting in frequent disconnects. Such rooms were expensive to operate due to increased utility costs and the fact that many used legacy server equipment that drew more power and produced more heat. The University of Illinois implemented a plan to reduce its number of data centers through consolidation and virtualization, and estimates that savings from this move will reach $4.38 million annually by 2015.

RECOMMENDATION 51:

The Texas A&M University System, working closely with Texas A&M University as well as other System members, should consolidate applications, services and other resources in a shared environment to reduce costs, enhance efficiency and improve customer service.

Initial steps by the System Offices should include:

- a Request for Proposals to assess governance and potential consolidation, including the potential for data center and server consolidation.

- a security assessment of the network infrastructure to identify any actual or potential weaknesses, and review data breach protocols for completeness.

FISCAL IMPACT

Again, TAMU struggled to provide accurate data on its number of servers, data centers and IT staff. Even so, the System Offices were able to estimate the number of staff both at Texas A&M University and in the System with IT position titles. Assuming the accuracy of this information, we estimate that:

- consolidating some of the data centers and equipment at Texas A&M University alone could eliminate as many as 34 staff positions with an annual savings of approximately $2.3 million.

- consolidating the remainder of the members in the System could eliminate another 36 positions at a savings of nearly $2.5 million annually. Therefore, systemwide consolidation could eliminate a total of 70 positions with an annual savings of almost $4.8 million.

CIS identified approximately 550 servers in the Teague and Wehner data centers. We analyzed the power and cooling costs typically associated with these servers and generated the following estimated savings from consolidation and virtualization of this equipment.

- If these 550 servers are replaced and virtualized at a conservative 10:1 ratio (meaning one virtualized server replaces 10 old servers), the three year net savings would be $588,000, as shown in **Exhibit 12**. In the first year the university would incur expenses related to purchasing new servers and buying virtualization software and support.

EXHIBIT 12
Project Savings from
Consolidation and Virtualization of Equipment

	Year One	Year Two	Year Three	Three Year Total
Utility savings	$370,000	$370,000	$370,000	$1,110,000
Purchase 20 servers (35 current servers are useable)	($82,000)	0	0	($82,000)
Virtualization software and 3 years of support	($440,400)	0	0	($440,400)
Net savings/(costs)	($152,000)	$370,000	$370,000	$588,000

Source: MGT of America, Inc., March 2012.

These estimates are very conservative assuming only a 10 to 1 virtualization ratio and also do not include savings resulting from the retiring of older servers that have ongoing maintenance contracts.

Nearly 2,000 other servers on the TAMU campus are not managed by CIS. Assuming these servers are similar to those managed by CIS, and that only half of these could be consolidated, a net three year savings of nearly $1.2 million could be achieved after upfront purchases of servers, and virtualization software and support.

This would bring the total three year net savings from consolidation and virtualization at the Texas A&M University alone to more than $1.6 million. (We would need server information for other System members to extrapolate this estimate further.)

MGT recommends the System Offices issue an RFP to both assess the potential and develop a plan for data center and server consolidation at Texas A&M University. This RFP should require the work be done in three phases, which are described below. It is estimated the assessment would have a total estimated cost of approximately $900,000.

The methodology developed from the assessment could be replicated at other campuses in the System.

The three phases of the assessment are:

1. *Evaluate Capacity of Existing Data Centers.* The first step must be to fully determine the maximum capacity of the existing data centers. Our review found that the Teague data center has significant excess capacity, while the Wehner data center's capacity may be limited due to its physical structure.

   A full evaluation of these facilities is needed first to identify the amount of consolidation that each can absorb and to determine whether the proposed $40 million new data center is actually needed. This phase also would include detailed recommendations to expand these

facilities' capacity using the existing floor space. The estimated cost of this phase would be approximately $390,000. Any past evaluation of the capacity of these units could be used to offset these costs.

2. ***Evaluate People, Processes and Tools used in the Data Centers***. The next phase of the evaluation would be to fully evaluate the use of staff and equipment in the data centers to determine if the operations could be more efficient. This includes providing recommendations on new tools (both software and hardware) that would assist in enhancing the operations as well as recommending new more effective processes. The cost of this phase would be approximately $220,000.

3. ***Consolidation of Decentralized Data Centers.*** This final phase is the analysis and development of a plan to consolidate many of the decentralized data centers into the existing Teague and Wehner data centers. This phase would fully identify what could be consolidated and provide a recommendation for staff reductions that would result from this consolidation. The estimated cost of this phase would be approximately $290,000.

Once the assessment is completed, the actual data center consolidation can occur. While there are up-front costs to complete data center consolidation, these are one-time costs which should be greatly offset by the annual savings that result in the following years. These benefits can be significant and can free up funds for use on the university's core functions of teaching and research.   It was noted earlier, the University of Illinois has already begun this process and expects to reach an annual net savings of over $4 million from data center consolidation.

We estimate that consolidation/virtualization could conservatively save the university a total of $3.4 million annually in utility and payroll expenses alone. This savings will be partially offset by the one-time upfront costs that total nearly $2.5 million. This cost includes $900,000 for the consolidation assessment and an estimated $1.6 million to purchase new virtualization servers, software licenses and support.

Given these costs, MGT estimates the net savings from consolidation/virtualization for the first three years to total *over* $5.4 million. If this practice was further implemented at other campuses, the savings would be significantly higher, as seen in **Exhibit 13**.

EXHIBIT 13
Estimated Three-Year Savings from
Consolidation and Virtualization

		Year 1	Year 2	Year 3	3 Year Total
Savings					
	Utility savings from Teague Consolidation/Virtualization	$370,000	$370,000	$370,000	$1,110,000
	Utility savings from Consolidation/Virtualization of 1,000 Remote Servers	$740,000	$740,000	$740,000	$2,220,000
	Savings from Staff Reductions		$2,300,000	$2,300,000	$4,600,000
Total Savings		**$1,110,000**	**$3,410,000**	**$3,410,000**	**$7,930,000**
Costs					
	Consolidation Assessment (3 Phases)	($900,000)	0	0	($900,000)
	Teague Center Consolidation Virtualization Costs	($522,400)	0	0	($522,400)
	1,000 Remote Server Consolidation/Virtualization Costs	($1,044,800)	0	0	($1,044,800)
Total Costs		**($2,467,200)**	**0**	**0**	**($2,467,200)**
Net Savings/(Costs)		($1,357,200)	$3,410,000	$3,410,000	*$5,462,800*

Source: MGT of America, Inc., April 2012.

RECOMMENDATION 52:

Reduce administrative overhead in the System Offices Business Computing Services unit.

As noted in a System Internal Auditor's report, IT salary costs systemwide rose by 110 percent from 2000 to 2011. The System Office should begin reducing its IT overhead costs by eliminating two positions, director of Business Computing Services and senior network coordinator.

FISCAL IMPACT

The elimination of these two positions would result in an annual savings of approximately $281,600.

IT4   ISSUE: Business Computing Services has four vacant positions.

These positions have been vacant for several months, and MGT was told that their responsibilities are being handled by existing staff.

RECOMMENDATION 53:

Eliminate the four vacant positions in Business Computing Services.

The positions recommended for elimination are network coordinator, senior software developer, software developer, and database administrator/applications developer.

FISCAL IMPACT

The elimination of these positions would result in an annual savings of approximately $286,300.

Cost-Effectiveness Through Outsourcing

In addition to examining the operations of the System Offices, the Chancellor encouraged MGT to draw on its experiences elsewhere to identify other opportunities for greater cost-effectiveness. One area that merits further exploration is the outsourcing of non-core functions.

Outsourcing has become increasingly common in higher education in recent decades. One national survey found that the most common reason for outsourcing is financial, with savings and revenue generation the top two reasons.

Outsourcing is especially common for dining services, bookstores, vending and printing. Increasingly, however, vendors are being sought to support information technology, facility maintenance and student housing.

The most recent credible national analysis of higher education outsourcing, in 2001, found that about three-quarters of U.S. colleges and universities were outsourcing food service; nearly two-thirds had vending contracts; about half had bookstore vendors; and more than a quarter had outsourced custodial services. As noted in the *Chronicle of Higher Education*, the main discussion on campuses related to outsourcing is shifting from *should we contract out* to *how do we do it well*?

OS1   ISSUE: TAMUS institutions may not be offering campus dining services in the most cost-effective manner.

Nearly all TAMUS institutions, with the exception of Texas A&M University, outsource dining services to an external firm. WTAMU, for instance, has outsourced its residential and retail dining to Aramark since 1990 and continues to believe this strategy best serves its needs.

Many universities across the nation have experienced similar positive results. Mississippi State University, for example, has seen its dining revenue triple since outsourcing dining operations five years ago, a strong indication of customer satisfaction, and just as importantly has seen the operation go from a small operating loss to a $2.75 million gain from its vendor as its share of dining proceeds. This performance can be traced to the vendor's ability to align dining products with customer demand and bring stronger management and purchasing power to the operation.

RECOMMENDATION 54:

The TAMUS CFO should convene representatives from each campus with outsourced dining services to assess their experiences and share information.

This would help universities that operate their own dining service to weigh the potential benefits of outsourcing. It also would aid universities with outsourcing agreements in negotiating even more beneficial arrangements when their current contracts expire.

FISCAL IMPACT

This recommendation can be accomplished without significant costs.

NOTE: This recommendation was discussed with the Chancellor and a modified version of the recommendation has already been implemented.

OS2   ISSUE: Outsourcing may help TAMUS institutions operate campus and building maintenance, energy management programs and other non-core services in a more cost-effective manner.

Although dining services and bookstores are the most common outsourced functions among the nation's universities, vendors continue to develop other service offerings that merit consideration, including specialty areas such as campus and building maintenance, grounds keeping, and energy management. For instance, the University of Oklahoma recently contracted with Corix to manage and operate its utility system. TAMU Kingsville outsourced its facilities management operation to Aramark in 2009, with positive results to-date.

RECOMMENDATION 55:

TAMUS should undertake a comprehensive examination of the opportunities for outsourcing to improve the services and financial performance of support units.

FISCAL IMPACT

If not conducted by TAMUS staff, an assessment of potential outsourcing opportunities could cost approximately $150,000 in consulting fees.
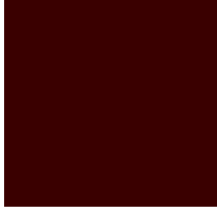
Appendix A: Fiscal Impact Estimates

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
System Offices Staffing								
SO1	Key stakeholders voiced concern about the growth in System Offices staffing.	During the next strategic planning initiative, the Chancellor should convene a workshop involving key stakeholders to determine the optimal roles to be played by the System Offices, System members and other affiliated organizations in providing shared services to System members.	WER	WER	WER	0	0	0
SO2	The establishment of the new Office of Sponsored Research Services within the System Offices caused a significant increase in staffing.	The TAMUS CFO should work with the offices of the State Comptroller and State Auditor to identify strategies, such as creation of a separate agency code, to more accurately portray OSRS as a self-funded enterprise rather than a core function of the System Offices.	WER	$-	WER	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Shared Services								
SS1	The practice of delivering shared services through a shared leadership position has certain drawbacks.	The use of shared leadership positions should be a topic of discussion at the shared services workshop described in Recommendation 1.	WER	WER	WER	0	0	0
SS2	System agencies have each established a variety of administrative support units, leading to the duplicative and inefficient delivery of support services in Brazos County.	Opportunities for greater administrative efficiency should be a topic of discussion at the shared services workshop described in Recommendation 1.	WER	WER	WER	0	0	0
SS3	System member support for shared services is undermined by concerns about funding.	The System should conduct an extensive review of how shared services are funded to address member concerns about equity, cost and accountability.	$ 50,000	$	$ 50,000	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Shared Services (cont'd)								
SS4	Leaders of TAMUS shared services units may lack the authority to make decisions to would allow them to achieve their efficiency goals.	TAMUS should specifically authorize the System research officer, with input and advice from System members, to choose and *require* specific best practices for use by all members within OSRS.	$(915,795)	$-	$(915,795)	-15	0	-15
SS5	Shared services units cannot reach their full potential due to a lack of full participation by all eligible members.	As OSRS becomes more fully developed, System members should, under the guidance and authority of the chief research officer, move remaining research administration activities (and perhaps other activities such as public service) to OSRS.	CBD	CBD	CBD	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Shared Services (cont'd)								
SS6	Transition to new shared services arrangements will lag unless close attention is paid to a number of decisions regarding governance, accounting and compliance.	The Chancellor should appoint a special advisor to monitor implementation of shared services arrangements and provide guidance on resolution of issues as they arise.	$50,000	$-	$50,000	0	0	0
SS7	The System Offices have a number of vice chancellors who have little time to fulfill their roles because they are extremely busy with their primary responsibilities.	The System Offices could reduce administrative overhead by eliminating the joint funding of Vice Chancellor positions for Agriculture, Engineering and Health Science and support staff.	$(455,109)	$455,109	$-	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Finance And Accounting								
FA1	The accounting unit has three vacant positions.	Eliminate two of three vacant positions in the budgets and accounting section.	$(74,694)	$-	$(74,694)	-2	0	-2
FA2	TAMUS' financial management systems do not meet its needs, and maintaining multiple systems does not comply with Board of Regents directives.	Evaluate the benefits and costs of rewriting BPP and FAMIS to different architectural infrastructures versus replacing current systems, and determine the best course of action.	WER	WER	WER	0	0	0
FA3	The System Offices maintain a unit to provide procurement services.	TAMU should handle purchasing for the System Offices.	$(265,829)	$-	$(265,829)	-4	0	-4
FA4	Beginning February 1, 2012, the Texas Department of Transportation (TxDOT) will handle flight reservations for the System Offices.	Eliminate the assistant director of aircraft operations position.	$(62,848)	$-	$(62,848)	-1	0	-1

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Finance And Accounting (cont'd)								
FA5	System administrative overhead can be further reduced through staff reductions.	Eliminate the senior accountant position in budgets and accounting.	$(67,072)	$-	$(67,072)	-1	0	-1
Internal Audit								
IA1	Several campuses use local compliance officers or programs to perform activities resembling internal audit.	Create a systemwide inventory of audit and compliance review programs at member institutions and agencies.	WER	WER	WER	0	0	0
IA2	The Internal Audit Office needs more information system auditing professionals.	Two of the three vacant internal audit positions should be filled by CISA, CISSP, CRISC or other professionals with similar credentials or appropriate experience.	$(59,763)	$-	$(59,763)	-1	0	-1

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Communications								
CO1	TAMUS does not have a full-time Chief Communications Officer or Vice Chancellor for Marketing and Communications.	TAMUS should create a full-time Vice Chancellor for Marketing and Communications to oversee and manage the System's marketing and communications function.	$358,400	$-	$358,400	1	0	1
		The new Vice Chancellor for Marketing and Communications should have primary responsibility for providing messaging, support and media exposure for the System's Chancellor and all System members.	WER	WER	WER	0	0	0
CO2	TAMUS often fails to achieve recognition it deserves for the work of its agencies.	A new Vice Chancellor for Marketing and Communications should make it a priority to ensure that communications from *all* System institutions and agencies reinforce the System brand.	WER	WER	WER	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Communications (cont'd)								
CO3	TAMUS lacks a cohesive messaging strategy to capitalize on the diverse, unique and essential contributions of member institutions and agencies.	The System should develop a comprehensive brand strategy that communicates the TAMUS brand consistently across all consumer touch points and all component institutions, including campus life, web and social media interaction, alumni marketing, earned media and advertising.	$200,000	$-	$200,000	0	0	0
CO4	TAMUS top management should emphasize cohesive messaging and branding needs.	TAMUS leadership should clearly state and disseminate its requirements and expectations to all System members.	WER	WER	WER	0	0	0
CO5	Inconsistent levels of support and cooperation make it difficult to promote all members of the System with equal effectiveness.	The new TAMUS Vice Chancellor for Marketing and Communications should articulate a System policy for external communications and monitor compliance by all System members.	WER	WER	WER	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Communications (cont'd)								
CO6	Communications staffing at some System members appears to be higher than would be expected given their size.	A more detailed review of the duties and responsibilities of marketing and communications positions should be conducted to identify positions that can be eliminated.	$-	$(1,270,011)	$(1,270,011)	0	-17	-17
Federal And State Relations								
FS1	The Vice Chancellor for Federal and State Relations reports to the Chancellor and has coordination responsibilities for all statewide TAMUS legislative initiatives but has limited oversight of federal affairs.	The Vice Chancellor for Federal and State Relations should have responsibility for all federal relations, including those related to research efforts.	WER	WER	WER	0	0	0
FS2	The Governmental Relations office has two long-standing vacant positions.	Eliminate the two vacant positions in the Governmental Relations office.	$(119,464)	$-	$(119,464)	-2	0	-2

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Federal And State Relations(cont'd)								
FS3	The Office of Technology Commercialization has three vacant positions.	Eliminate four positions in the Office of Technology Commercialization.	$(310,940)	$-	$(310,940)	-3.6	0	-3.6
Chancellor's Office								
CS1	The responsibilities of the Veterans Support Office could be modified and reassigned.	Clearly establish that veterans support coordination is an individual campus responsibility, and that the System Offices will assume a monitoring role.	WER	WER	WER	0	0	0
CS2	The Assistant to the Chancellor position has been vacant since October 2011.	Eliminate the position of Assistant to the Chancellor.	$(65,856)	$-	$(65,856)	-1	0	-1
CS3	The events coordinate function could be handled by another position in the Chancellor's Office.	Responsibility for events coordination should be transferred to another position in the Chancellor's office and the position of events coordinator eliminated.	$(57,281)	$-	$(57,281)	-1	0	-1

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Chancellor's Office (cont'd)								
CS4	The senior office associate position in the Chancellor's Office could be eliminated to reduce the System Offices' administrative overhead.	Eliminate the senior office associate position in the Chancellor's Office.	$(43,544)	$-	$(43,544)	-1	0	-1
CS5	The System Offices do not follow up on action plans developed by their departments to address low scores on annual member surveys.	Develop an accountability system to ensure corrective action plans are implemented.	WER	$-	WER	0	0	0
CS6	The Deputy Chancellor position has been vacant since October 2011.	Eliminate the Deputy Chancellor position.	$(384,000)	$-	$(384,000)	-1	0	-1

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
General Counsel								
GC1	The Health Science Center has its own attorney.	Move the chief legal officer position in HSC to the Office of General Counsel.	$353,138	$(353,138)	$-	1	-1	0
GC2	Two positions in the General Counsel's office are vacant.	Eliminate the legal secretary and assistant general counsel positions.	$(56,524)	$(96,768)	$(153,292)	-1.1	-0.9	-2
GC3	The System Offices do not have a comprehensive approach to ethics and compliance.	TAMUS should establish a System Ethics and Compliance Committee and appoint a System Ethics and Compliance Officer.	$236,800	$-	$236,800	1	0	1
Human Resources								
HR1	The placement of HR services with the System Offices is inconsistent with the shared services initiative.	Transfer the System Offices' HR function to TAMU.	$(103,347)	$-	$(103,347)	-1.6	0	-1.6
HR2	TAMUS is realizing few shared services opportunities for human resources among its Brazos County-based components.	TAMUS should consolidate its Brazos County HR resources at TAMU.	$-	$(1,683,292)	$(1,683,292)	0	-22	-22

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Human Resources (cont'd)								
HR3	A broader HR consolidation or shared services initiative could cover *all* TAMUS member institutions.	TAMUS should begin a broader consolidation and shared services initiative focused on the more routine components of HR service delivery.	CBD	CBD	CBD	0	0	0
Facilities Planning And Construction								
FPC1	The current project management system appears to drive up project costs.	Develop and employ formal criteria to determine when to bid projects under the Construction Manager at Risk approach.	$(6,132,800)	$-	$(6,132,800)	0	0	0
FPC2	FP&C five construction management teams each use different procedures and processes.	Reorganize the department to increase flexibility and standardize procedures to help ensure consistency across project teams.	$(340,625)	$-	$(340,625)	-4	0	-4
FPC3	Project and building designs are not reviewed in a timely manner, so that many problems are not identified until the construction phase, making corrections costly.	Require the completion of a Program of Requirements (POR), using a streamlined template, *prior* to project design and construction.	WER	WER	WER	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Facilities Planning And Construction (cont'd)								
FPC4	Campuses are dissatisfied with work of FP&C because they feel they have little control over their projects.	Increase threshold from $4 million to $10 million for projects that can be managed by campuses.	$(1,876,364)	$-	$(1,876,364)	-4	0	-4
FPC5	The System Offices' purchasing staffing is inadequate, leading to delays in acquiring fixtures, furnishings and equipment for newly completed buildings.	Allow campuses to purchase furnishings and equipment for new buildings, subject to monitoring and review.	WER	WER	WER	0	0	0
FPC6	TAMUS does not have a formal process for transferring responsibility to the campus when a project or building is finished.	Develop a formal process for transferring project responsibility to campuses when projects are finished, and train campus representatives in the process.	WER	WER	WER	0	0	0
FPC7	Campuses sometimes disagree with FP&C design standards.	Conduct workshops with campuses on the development of project design standards.	WER	WER	WER	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Facilities Planning And Construction (cont'd)								
FPC8	FP&C should improve its communication and interaction with System members and their coordinators.	FP&C should formalize and improve its communications with TAMUS campuses.	WER	WER	WER	0	0	0
FPC9	The construction management fee the System charges to institutions and agencies should be explained and justified.	The System Offices should conduct a construction management fee study based on industry benchmarks.	WER	WER	WER	0	0	0
FPC10	Facilities Planning and Construction has three vacant positions.	Eliminate the three vacant positions in FP&C.	$(369,640)	$-	$(369,640)	-3	0	-3
Information Technology								
IT1	TAMUS does not have a systemwide vision for information technology, and major IT projects, services and purchases are not coordinated among System members.	The System Offices' CIO should be authorized to ensure that major IT projects, services and purchases are coordinated across members.	CBD	CBD	CBD	0	0	0

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Information Technology (cont'd)								
IT2	Texas A&M University's Information Technology Strategic Goals and Initiatives 2011-2015 identified a need for a new, 20,000 square foot data center at a cost of approximately $40 million.	The need for a new data center should be removed from the university's IT strategic plan until a university-wide assessment of data consolidation and virtualization is completed.	$-	$-	$-	0	0	0
IT3*	TAMUS and its members are not aggressively pursuing opportunities to reduce information technology costs, increase efficiencies and enhance customer services.	The Texas A&M University System, working closely with Texas A&M University as well as other System members, should consolidate applications, services and other resources in a shared environment to reduce costs, enhance efficiency and improve customer service.*	$(281,622)	$(5,462,800)	$(5,744,422)	-2	-70	-72
IT4	Business Computing Services has four vacant positions.	Eliminate the four vacant positions in Business Computing Services.	$(286,285)	$-	$(286,285)	-4	0	-4

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Issue #	Issue	Recommendation	Fiscal Impact System Offices	Fiscal Impact System Members	Total Fiscal Impact	Change in System Offices' FTEs	Change in System Members' FTEs	Total FTE Change
Outsourcing Opportunities								
OS1	TAMUS institutions may not be offering campus dining services in the most cost-effective manner.	The TAMUS CFO should convene representatives from each campus with outsourced dining services to assess their experiences and share information.	$-	$-	$-	0	0	0
OS2	Outsourcing may help TAMUS institutions operate campus and building maintenance, energy management programs and other non-core services in a more cost-effective manner.	TAMUS should undertake a comprehensive examination of the opportunities for outsourcing to improve the services and financial performance of support units.	$150,000	$-	$150,000	0	0	0
Total			**$(10,931,063)**	**$(8,472,468)**	**$(19,403,531)**	**-50.3**	**-110.9**	**-161.2**

WER – Within Existing Resources

CBD – Cannot Be Determined

*IT3 Footnote - The fiscal estimate for IT3 of $5,462,800 represents the net three year staff and utility savings for consolidation and virtualization of servers across the TAMU campus.

Specific savings/cost assumptions include:

- $2,467,000 up front costs in year one to assess and complete consolidation.
- $370,000 annual savings from consolidating servers in the Teague Data Center.
- $740,000 annual savings from consolidating servers currently in decentralized data centers across the TAMU campus.
- $2,300,000 annual staff savings resulting from campus-wide server consolidation. This savings would begin year two and continue annually.

In the first year of this consolidation initiative initial expenses would exceed savings by $1,357,200. Years two and three would each expect net savings of $3,410,000 annually.

This results in a three year net consolidation savings of $5,462,800.