



An Audit Report on

The Texas A&M Engineering Extension Service

December 2019

Report No. 20-013



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Overall Conclusion

The Texas A&M Engineering Extension Service (TEEX) had certain processes in place for the processing and review of disaster response and recovery expenditures, such as internal personnel costs, purchases of supplies, and travel-related expenditures. In addition, TEEX had sufficient processes for non-disaster-related expenditures and its training programs.

However, it had significant weaknesses in its controls over its reimbursements of disaster-related personnel costs to Texas Task Force 1 participating entities, including costs related to Hurricane Harvey. Specifically, TEEX did not consistently ensure that it (1) obtained and retained all required supporting documentation and (2) verified and accurately calculated the personnel costs to be reimbursed.

TEEX had \$165.1 million in total expenditures from August 1, 2017, through February 28, 2019. Of that amount, \$10.5 million (6 percent) was for disaster-response activities. Personnel costs for deployed Texas Task Force 1 participating entities constituted the majority, or \$7.6 million (73 percent), of those disaster-response expenditures. (See Appendix 4 for a breakdown of TEEX expenditures.)

Non-personnel Expenditures and Training

TEEX had sufficient controls to ensure that its non-personnel expenditures related to disaster-response activities had sufficient supporting documentation and required approvals. In addition, TEEX had processes and controls in place to ensure that:

- Its non-disaster expenditures were properly supported, approved, and in compliance with applicable TEEX policies, procedures, and contracts.
- It safeguarded electronic student information and administered its training programs in accordance with applicable requirements.
- It had complete records for training classes held and complied with most internal curriculum development requirements.

Background

The Texas A&M Engineering Extension Service (TEEX) is the sponsoring agency for Texas Task Force 1 (Task Force), which is deployed during state or federal disasters. In that role, TEEX reimburses Task Force participating entities for costs incurred during a disaster response, of which personnel costs are the greatest. As of September 2019, the Task Force had been deployed at least 11 times in 2019.

The Task Force has more than 600 individuals from 60 participating entities (such as city and county governments, fire departments, and nonprofits), as well as self-employed individuals. Deployed personnel may include firefighters, doctors, nurses, structural engineers, canine handlers, educators, police officers, and many other professionals throughout different fields.

In addition, TEEX provides emergency response, homeland security, and workforce training through classroom, practical, and online courses. It also provides technical assistance and economic development training.

Source: TEEX.

However, TEEEX should strengthen its controls over asset tracking, travel-related purchases, and certain reviews for its training programs. It should also ensure that sensitive student data maintained in hard copy documentation is appropriately protected and its training courses are consistently documented, end-user tested, and approved as required.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	TEEEX Had Significant Weaknesses in Its Controls Over Its Expenditures for Personnel Costs Incurred During Disaster-response Activities, Including Those Related to Hurricane Harvey	Priority
1-B	TEEEX Had Controls Over Its Non-Personnel Expenditures for Disaster-response Activities, Including Those Related to Hurricane Harvey	Medium
1-C	TEEEX Had Processes in Place to Ensure That Its Non-disaster-related Expenditures Were Properly Supported and Complied With Applicable Requirements	Low
2	While TEEEX Had Documented Processes for Its Training Program, It Should Strengthen Certain Controls	Medium

^a A chapter/subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to TEEEX management.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. TEEEX agreed with the recommendations in this report.

Audit Objectives and Scope

The objectives of this audit were to determine whether:

- TEEEX has processes and related controls to help ensure that it administers its training programs according to applicable requirements and safeguards student data—including the data in its student management system.
- TEEEX’s expenditures, including those related to Hurricane Harvey activities, are properly supported and in accordance with applicable laws, policies, and procedures.

The scope of this audit covered TEEEX’s activities related to training courses and expenditures from August 1, 2017, through February 28, 2019.

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Detailed Results

Chapter 1

While TEEEX Had Significant Weaknesses in Its Controls Related to Reimbursements for Disaster-related Personnel Costs, It Had Sufficient Processes Over All Other Expenditures

Texas Task Force 1

Texas Task Force 1 (Task Force) is 1 of 28 federal urban search and rescue teams nationwide and deploys first responders in the event of state and federal disasters.

According to TEEEX, the Task Force has had at least 1 deployment every year since its inception in 1997, and it deployed 257 personnel in response to Hurricane Harvey.

In addition to personnel costs, other disaster-related costs include meals, lodging, and other travel-related expenditures, as well as purchases of supplies and equipment.

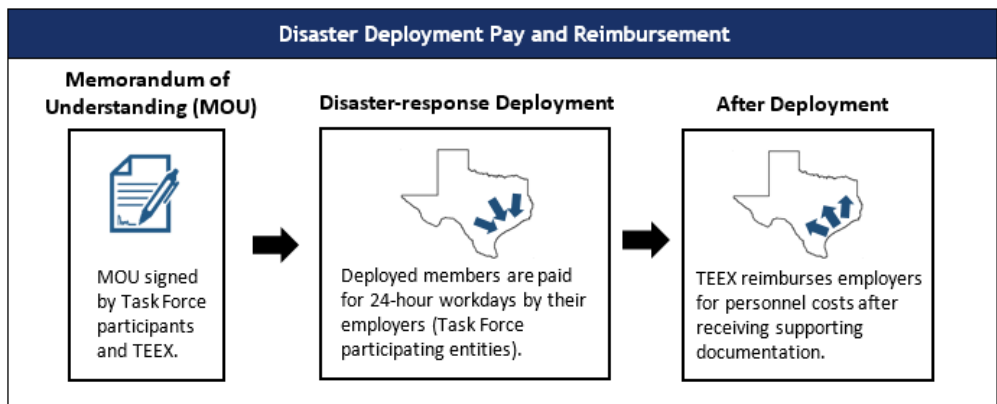
Source: TEEEX.

The Texas A&M Engineering Extension Service (TEEX) had certain processes in place for the processing and review of expenditures, including sufficient controls over disaster-related personnel costs of TEEEX employees. However, it had significant weaknesses in its controls over the reimbursement of disaster-related personnel costs to external entities. Specifically, TEEEX should ensure that it (1) obtains and retains all required supporting documentation and (2) strengthens its processes to ensure that it verifies and accurately calculates the personnel costs to be reimbursed.

TEEX had sufficient controls over its non-personnel expenditures related to disaster-response activities, including those related to Hurricane Harvey. In addition, TEEEX had processes in place to ensure that its non-disaster expenditures were properly supported and approved, and were in accordance with applicable requirements.

TEEX is the sponsoring agency for Texas Task Force 1 (Task Force), which is deployed during state or federal disasters (see text box for more information). In that role, TEEEX reimburses Task Force participating entities for costs incurred during a disaster response (see Figure 1), of which personnel costs are the greatest. Those participating entities include employers of the deployed personnel (such as local governments and fire departments) and self-employed individuals (such as doctors).

Figure 1



Source: TEEEX.

TEEX Had Significant Weaknesses in Its Controls Over Its Expenditures for Personnel Costs Incurred During Disaster-response Activities, Including Those Related to Hurricane Harvey

Chapter 1-A
Rating:
Priority ¹

While it ensured that disaster-related personnel costs for TEEX employees complied with requirements, TEEX had significant weaknesses in its processes for reimbursements for personnel costs related to disaster-response activities to Task Force participating entities. Between August 1, 2017, and February 28, 2019, TEEX paid \$7,627,845 in personnel cost reimbursements to participating entities, which accounted for 73 percent of TEEX's total disaster-response costs during that time period (see Appendix 4 for a breakdown of TEEX total expenditures).

While TEEX had review processes in place for disaster-response personnel costs, it did not consistently ensure that (1) it obtained supporting documentation required by its agreements with Task Force participating entities and (2) its calculations were accurate.

Of the 62 purchase vouchers tested for personnel cost reimbursements totaling \$2,993,775, only 16 (26 percent) purchase vouchers had the required supporting documentation and were accurate. The other 46 purchase vouchers (74 percent) did not have all required supporting documentation and/or contained errors.

The purchase vouchers tested were related to Hurricanes Florence, Harvey, Maria, and Michael, as well as severe weather deployments in September 2018 and October 2018 (see text box for more information about the items tested). Figure 2 on the next page shows the timeline of those events.

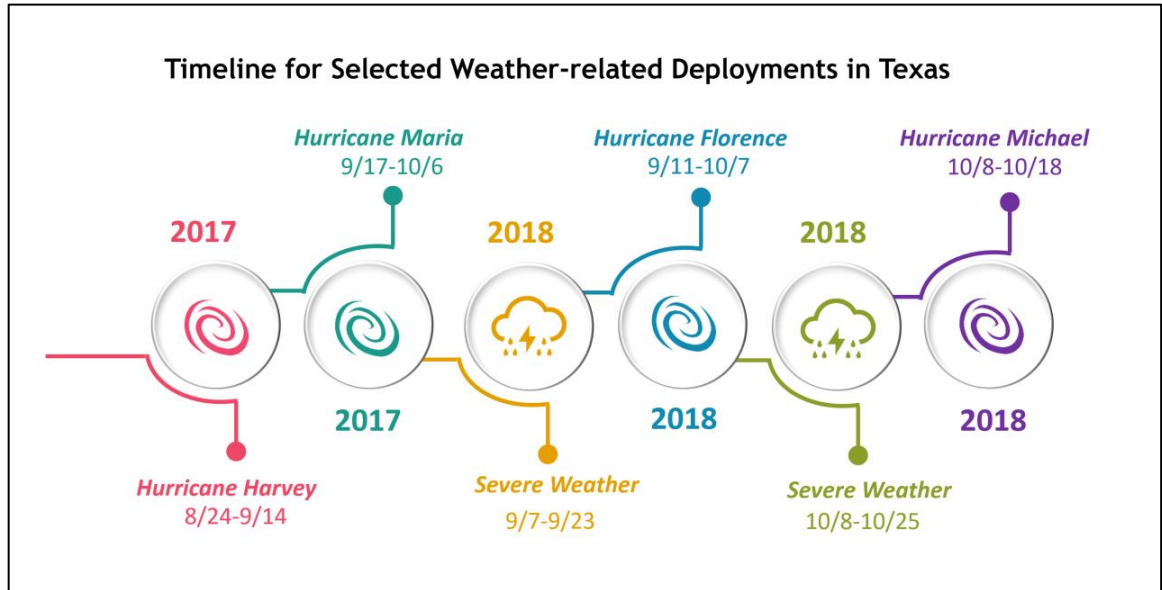
Items Tested

Auditors initially selected for testing 9 purchase vouchers for personnel costs related to disaster response. Those 9 purchase vouchers were tested for support for all payroll-related items (such as support for salaries paid, supplemental payments, and employer-provided benefits paid). The vouchers were also tested for support for non-payroll-related items (such as support for activation and deactivation dates and times, Task Force member work schedules, and training and medical clearance requirements).

Based on the errors identified in the testing of the 9 purchase vouchers, auditors subsequently selected an additional 53 purchase vouchers for testing. Auditors tested those 53 purchase vouchers only to determine the accuracy of TEEX's payroll calculations based on support for salaries or wages paid; however, auditors did not verify the accuracy of that support.

¹ The risk related to the issues discussed in Chapter 1-A is rated as Priority because they present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

Figure 2



Source: TEEEX.

Internal Personnel Costs

TEEX had sufficient controls over expenditures for disaster-related personnel costs for TEEEX employees. Specifically, all 7 purchase vouchers tested that contained TEEEX employees' personnel costs totaling \$236,546 for disaster-response activities were properly supported and complied with applicable requirements.

Reimbursements to Task Force Participating Entities

TEEX Review Process. For each deployment, TEEEX creates a spreadsheet template for each participating entity to use to submit expenditures for reimbursement. When a participating entity submits the completed template and supporting documentation (expenditure packet), TEEEX's process includes:

- A preparer who conducts an initial review of the expenditure packet for accuracy and reasonableness and verifies reimbursement totals in accordance with the memorandum of understanding between TEEEX and the submitting entity.
- A second person who reviews and verifies the accuracy of the reimbursement calculations.
- A supervisor who conducts "spot check" reviews of the expenditure packets and reimbursement calculations.

However, those reviews did not identify the errors discussed below.

Lack of Supporting Documentation. TEEX had documentation showing that most of the expenditure packets for each deployed first responder in the purchase vouchers tested were reviewed as required. However, TEEX did not ensure that it consistently obtained the supporting documentation required by the memorandums of understanding. Specifically:

- Of the 9 purchase vouchers totaling \$1,681,556 initially tested to determine whether the reimbursement was fully supported, TEEX did not obtain all required supporting documentation for 5 (56 percent) purchase vouchers totaling \$737,526. Examples of missing documentation included support for the activation and deactivation dates or support for reported leave amounts used to calculate employer-provided benefits reimbursements. One participating entity did not submit any payroll support, and TEEX accepted the pay amounts asserted by that entity.
- Of the 53 additional purchase vouchers totaling \$1,312,219 tested to determine whether the base pay rates and benefits calculations were supported, TEEX did not obtain the supporting documentation needed to verify the accuracy of the payroll calculations for 10 (19 percent) purchase vouchers totaling \$323,891.

With insufficient or missing supporting documentation for items including payroll, work schedules, and activation and deactivation times, TEEX cannot verify that the personnel costs submitted for reimbursement are appropriate and accurate.

Errors Resulting in Incorrect Reimbursement Amounts. TEEX's reimbursement reviews were not sufficient to identify certain errors. Of the 62 purchase vouchers tested, 31 (50 percent) vouchers totaling \$1,617,679 contained one or more of the following errors:

- **Incorrectly Calculated Overtime Rates.** For example, for a purchase voucher tested related to Hurricane Harvey, TEEX calculated the overtime pay rate based only on amounts that the participating entity paid the Task Force member rather than the agreed-upon rate in the memorandum of understanding. That rate should have been the base pay rate multiplied by 1.5. That calculation resulted in an overtime pay rate that was more than 2 times the base pay rate.
- **Calculation and Data Entry Errors.** These errors included incorrect activation and deactivation dates or times, incorrect hourly pay rates, incorrect work hours, and data entry errors in the support. For example, for one purchase voucher tested related to Hurricane Michael totaling \$12,920,

TEEX used an incorrect hourly pay rate, resulting in an overpayment of \$1,615.

- **Overpayment of Employer-provided Benefits Reimbursements.** For example, for one purchase voucher tested related to Hurricane Harvey totaling \$33,782, TEEX overpaid the benefits portion of the reimbursement by \$443. This occurred because the spreadsheet template that TEEX supplied to participating entities contained a formula that incorrectly included supplemental pay in the calculation.

Because the purchase vouchers tested could have had more than one of the errors listed above, the risk of an overpayment is increased. For example, for one purchase voucher related to Hurricane Harvey totaling \$70,547, auditors calculated an overpayment of \$14,174 due to multiple errors that TEEX did not identify and correct.

The weaknesses in TEEX's controls over reimbursement of disaster-related personnel costs increase the risk (1) of noncompliance with state and federal requirements and (2) that TEEX could be paying incorrect amounts. These costs also are used as support for TEEX's reimbursement requests of federal and state disaster funds.

Hourly Base Pay Conversion

Some participating entities did not pay certain deployed personnel the full amount required under federal regulations. Specifically, Title 44, Code of Federal Regulations, Section 208.39, states that entities participating in disaster response should convert the base hourly rate of deployed individuals who may work more than a 40-hour work week to an equivalent base hourly rate for a 40-hour work week. For example, most firefighters normally work more than 50-hour work weeks; therefore, converting their pay rate to the 40-hour equivalent would result in a higher hourly rate.

For most of the purchase vouchers tested, the participating entities did not convert the hourly rates of those deployed personnel. As a result, most of those deployed personnel were paid an hourly rate less than what federal regulations allowed. Converting those hourly base pay rates as allowed would have resulted in the deployed personnel being paid about 30 percent more during deployments, according to TEEX estimates.

While the federal regulation related to pay conversions had been in place since 2005, TEEX asserted that it was waiting for the Federal Emergency Management Agency (FEMA) to issue guidance on the process that should be used for the conversion of the base hourly rates for those deployed personnel. However, some participating entities tested were converting the hourly pay rates, while many others were not. To help ensure consistency

and fairness in pay for deployed personnel during a disaster, TEEEX should consider working with participating entities and FEMA to develop a conversion methodology.

Deployment Eligibility Requirements

In order to be eligible for reimbursement, task force participating entities must ensure that deployed first responders meet eligibility requirements. However, TEEEX did not ensure that it had supporting documentation showing that all individual first responders deployed and reimbursed for personnel costs met all training and medical clearance requirements and were eligible to be deployed. Specifically, TEEEX did not have complete documentation for any of the nine purchase vouchers tested for compliance with training and eligibility requirements. Not obtaining and retaining documentation for training and medical clearance requirements increases the risk that unqualified personnel could be deployed during a disaster. In addition, Title 2, Code of Federal Regulations, Section 200.333, requires that documentation related to federal awards must be retained for 3 years.

Recommendations

TEEX should:

- Strengthen its review process for reimbursement requests to verify that sufficient support has been provided, information is entered correctly, and amounts are calculated accurately.
- Ensure that the tools it develops for calculating reimbursement amounts include accurate formulas that are consistently applied to all reimbursement requests.
- Obtain sufficient support, as required by the memorandums of understanding, from participating entities for all amounts reimbursed.
- Follow records retention requirements in retaining supporting documentation for training and other requirements that demonstrate deployed personnel are eligible for deployment.
- Consider working with participating entities and FEMA to develop a methodology for converting base hourly for applicable deployed personnel.

Management's Response

TEEX will review processes, procedures, calculation tools, agreements with participating agencies and individuals, compliance with records retention and recommended levels of administrative support available during preparation of reimbursement requests to strengthen internal controls related to team deployment and reimbursement requests. This review process will include coordination with FEMA and participating agencies on conversion rates to be used for calculating hourly rates to be used during deployment. The expected completion date is December 5, 2020.

Chapter 1-B

TEEX Had Controls Over Its Non-Personnel Expenditures for Disaster-response Activities, Including Those Related to Hurricane Harvey

**Chapter 1-B
Rating:
Medium²**

TEEX had controls for its non-personnel expenditures related to disaster-response activities, such as supply purchases, equipment rental and purchases, technology related purchases, interdepartmental charges, and procurement card purchases, which included meals and other travel-related expenditures. For example, TEEX ensured that it had sufficient supporting documentation for its non-personnel disaster-related expenditures and that it obtained required approvals for those expenditures. Of the 14 purchase vouchers tested totaling \$1,017,353, the expenditures for 12 (86 percent) vouchers were accurately calculated, properly supported, and in compliance with applicable requirements.

However, for 2 travel-related purchase vouchers tested totaling \$38,400, TEEX did not obtain sufficient supporting documentation for the use of hotel rooms. The agreement between TEEX and the hotel included a clause that would allow it to pay a lesser amount for unused rooms based on the actual occupancy of the hotel. Instead, TEEX paid the full amount invoiced, including costs for 40 unused hotel rooms that TEEX had booked. As a result, TEEX may have overpaid those vouchers by up to \$4,697.

In addition, while TEEX procured the purchase of rescue boats in compliance with federal and internal requirements tested, it should strengthen its controls over asset tracking. Specifically:

² The risk related to the issues discussed in Chapter 1-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

- For one purchase voucher tested totaling \$340,000, none of the four rescue boats purchased had asset tags as required by TEEX policies. Ensuring that all assets are tagged is important because three of the four boats did not have serial numbers affixed to them.
- When it recorded the value of the assets related to one purchase voucher tested totaling \$39,850, TEEX incorrectly included costs totaling \$1,209 related to freight and unrelated signage for two rescue boats purchased.

Obtaining documentation required for disaster-related costs could help TEEX avoid paying more than necessary. In addition, consistently tagging and accurately recording assets would help ensure that TEEX's inventory is accounted for.

Recommendations

TEEX should:

- Obtain sufficient supporting documentation for costs to ensure that it pays only the amounts owed.
- Ensure that all assets are tagged as required by TEEX policies.
- Ensure that it accurately calculates and records the value of assets purchased.

Management's Response

TEEX will review processes and procedures to ensure adequate controls are in place to ensure adequate supporting documentation for expenses, and that recorded asset values are correct. TEEX is in the process of converting to a bar-scan property management tool and will review the status of tags to ensure that tags are in place and of sufficient durability to remain in place. The expected completion date is December 5, 2020.

TEEX Had Processes in Place to Ensure That Its Non-disaster-related Expenditures Were Properly Supported and Complied With Applicable Requirements

**Chapter 1-C
Rating:
Low³**

TEEX had processes in place to ensure that its non-disaster expenditures were properly supported, approved, and in compliance with applicable TEEX internal policies, procedures, and contracts.

From August 1, 2017, through February 28, 2019, TEEX had \$154.6 million in total non-disaster expenditures. All 26 purchase vouchers tested, totaling \$5.1 million, were supported, approved, and allowable.

The total non-disaster expenditures included personnel costs of TEEX employees, travel and procurement card purchases, infrastructure repairs, equipment purchases, vehicle purchases, sub-contracts, and purchases of supplies, as well as interdepartmental charges to allocate expenditures to multiple TEEX cost centers.

³ The risk related to the issues discussed in Chapter 1-C is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

While TEEEX Had Documented Processes for Its Training Program, It Should Strengthen Certain Controls

**Chapter 2
Rating:**

Medium ⁴

TEEX had controls and processes for its training programs to ensure that it (1) safeguarded electronic student information, (2) had complete records for classes held, and (3) complied with most of its internal curriculum development requirements (see text box for more information about TEEEX training programs).

However, TEEEX should strengthen certain controls to ensure that (1) hard-copy documentation is appropriately protected, (2) all required reviews are conducted consistently, and (3) courses are consistently documented, end-user tested, and approved as required. Figure 3 shows the number of training classes held.

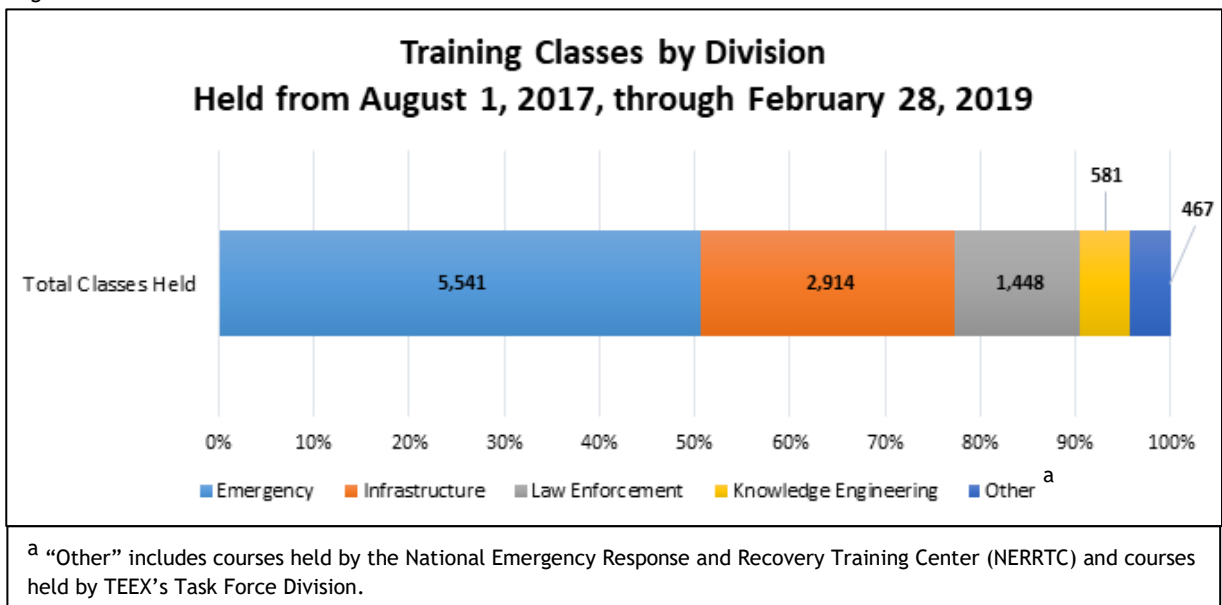
TEEX Training Programs

TEEX, which provides occupational and technical training services, held 10,951 training classes for 889 different courses (including online courses) between August 1, 2017, and February 28, 2019. TEEEX offers training programs through the following divisions:

- **Emergency Services Training Institute:** This is the State’s fire training entity, and it provides nearly 250,000 hours of training annually at no cost to Texas fire departments or individual students.
- **Infrastructure Training and Safety Institute:** Provides training for water and wastewater safety, bridge and highway maintenance, telecommunications and electric safety, and bus driver safety. It also provides Occupational Safety and Health Administration training for transportation, construction, and general industry.
- **Institute of Law Enforcement and Protective Services Excellence:** Provides specialized training for police officers, law enforcement dispatchers, security officers, and jail and detention personnel. It also provides training for private industry security and school safety personnel.
- **Knowledge Engineering:** Provides training related to cybersecurity and economic development.

Source: TEEEX.

Figure 3



Source: TEEEX.

⁴ The risk related to the issues discussed in Chapter 2 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

TEEX had controls to protect sensitive student data; however, it should strengthen controls over its hard-copy documentation.

TEEX ensured that user access to its system containing sensitive student data was appropriately limited. Additionally, TEEX performs documented, periodic user access reviews for that system. However, TEEX should strengthen its physical safety controls to safeguard student information in hard-copy format to limit the risk that unauthorized personnel could access that information.

TEEX had processes to ensure that course delivery records for classes held were complete; however, it should ensure that certain reviews are consistently conducted as required by its policies and procedures.

Course Delivery Records. TEEX requires certain course delivery records be maintained for every training course offered, and it developed a Delivery Records Checklist to help ensure that instructors include all required documentation. Examples of those records are sign-in sheets, registration forms, and course revenue information. TEEX uses those records to verify the accuracy of the information in both its Student Management System and financial management system. That information is also used to verify that students receiving credit for selected courses attended the courses and completed all requirements.

TEEX had complete records for 25 (93 percent) of 27 training classes tested.⁵

The checklists for two classes did not indicate whether there were contractual agreements or course revenue information that should have been included in records for each class. The records for both of those classes were otherwise complete.

Reconciliation Reviews. TEEX requires the course delivery records for all training courses to receive a reconciliation review to (1) verify the completeness of the records and (2) reconcile the information in the records with the information in TEEX's student management and financial management systems (see text box for more information about those reviews). For 26 (96 percent) of the 27 training classes tested, TEEX had documentation showing that the reviews occurred as required. The Delivery Records Checklist for one class tested did not have a signature indicating that a reconciliation review occurred.

Reconciliation Reviews

The reconciliation reviews of course delivery records include:

- Verifying student attendance information.
- Verifying the payments for each student.
- Verifying the accuracy of student and financial information in TEEX's information management systems.
- Verifying the student's successful completion of the class with the appropriate instructional staff.
- Issuing training certificate(s).
- Signing the Delivery Records Checklist when the reconciliation review is complete.

Source: TEEX.

⁵ The 27 training classes tested were held between August 1, 2017, and February 28, 2019.

Independent Review Process. In addition to the reconciliation reviews, TEEEX requires each of its divisions to conduct independent reviews of their respective course delivery records (1) for 20 percent of the training classes held and (2) no later than 30 days after the end of each quarter. However, TEEEX did not ensure that its divisions consistently complied with the independent review requirements.

Both divisions tested conducted some independent reviews for the quarters audited and ensured that the employees performing those independent reviews were not the same employees who prepared the course delivery records or performed the reconciliation reviews. However, the two divisions did not comply with the requirement that they have documented reviews for 20 percent of the courses held. Specifically:

- The Emergency Services Training Institute had (1) a methodology in place to ensure that at least 20 percent of all classes held were selected for review and (2) documentation showing that it selected for review 149 courses (20 percent) of the 743 courses it held for the second quarter of fiscal year 2018. However, it had documented reviews for only 55 courses, or 7 percent of the courses held. TEEEX asserted that it conducted the reviews for all courses selected, but some documentation could not be located due to employee turnover. All of the documented reviews included the required elements.
- The Institute of Law Enforcement and Protective Services Excellence did not have an independent review methodology in place that ensured that it selected at least 20 percent of all classes held, and it selected for review only 22 (9 percent) of the 233 courses it held in the first quarter of fiscal year 2019. While it had documentation showing that it conducted independent reviews for all 22 courses selected, those reviews did not include the required verification of the accuracy of the information entered into TEEEX's student and financial management systems.

Additionally, neither division performed all independent reviews within the required 30 days after the end of each quarter. The late reviews were performed from 24 days to 81 days late.

Not ensuring that reviews are conducted as required increases the risk that (1) course delivery records will be incomplete and (2) student information and revenues due for TEEEX courses may not be accurately recorded in TEEEX's student and financial management systems.

TEEX complied with most of its curriculum development requirements.

TEEX developed participant manuals and instructor guides for all of the 20 courses that required those documents. In addition, for 12 (60 percent) of those 20 courses tested, TEEX complied with all other curriculum development requirements in its policies and procedures.

For the other 8 courses tested, TEEX did not meet one or more requirements. Specifically, TEEX:

- Did not document course goals and objectives for 4 courses tested.
- Did not have documentation showing that it completed at least 10 user tests for 3 online courses tested⁶. Those user tests are important to help identify technical problems and ensure that courses are operating as intended.
- Did not have all required documented approvals for 4 courses tested.

Complying with all of its internal requirements and maintaining the related documentation would help TEEX ensure that its courses address learning objectives, its online courses are working as intended prior to implementation, and its courses are all properly approved.

In addition, while TEEX had documented qualifications for instructor positions overall, it did not document whether specific qualifications were required for each course offered. For example, some courses designed to meet industry certifications may have to comply with certain instructor qualifications to be eligible for the certifications. Documenting required instructor qualifications for its courses could help TEEX ensure that the appropriate instructors are teaching those courses.

Recommendations

TEEX should:

- Ensure that sensitive student information in hard-copy format is safeguarded.
- Ensure that all reviews of course delivery records are conducted as required by its policies and procedures, or revise its policies and procedures to match its processes.

⁶ Seven of the 20 courses tested were online courses or had an online component.

- Comply with all of its internal curriculum development requirements, including establishing documented course goals and objectives, consistently conducting user tests of its online courses, and documenting required course approvals.
- Document instructor qualifications for each training course.

Management's Response

TEEX will correct any facility deficiencies and storage practices that could impact security of hard-copy student documents. The Agency will review the processes and procedures for review of class delivery records against a standard of ensuring completeness and accuracy to determine any needed adjustments in processes and practices. Monitoring of the curriculum development process, to include documentation, will ensure that TEEX is following its curriculum development procedures. TEEX will review its processes for maintaining documentation of instructor qualifications and determine, and then follow, the best method to accomplish the documentation. The expected completion date is December 5, 2020.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether:

- The Texas A&M Engineering Extension Service (TEEX) has processes and related controls to help ensure that it administers its training programs according to applicable requirements and safeguards student data—including the data in its student management system.
- TEEX's expenditures, including those related to Hurricane Harvey activities, are properly supported and in accordance with applicable laws, policies, and procedures.

Scope

The scope of this audit covered TEEX's activities related to training courses and expenditures from August 1, 2017, through February 28, 2019.

Methodology

The audit methodology included conducting interviews with TEEX management and staff; collecting information and documentation on TEEX's training course and expenditure processes; reviewing TEEX's policies and procedures related to training and processing expenditures; and performing selected tests and procedures on the information obtained and evaluating the results of those tests.

In addition, the methodology included performing a limited review of TEEX's general and application controls for user access, change management, and safeguards over student data.

Data Reliability and Completeness

Auditors reviewed TEEX's financial system (Masterpiece) for Hurricane Harvey- and non-Hurricane Harvey-related revenues and expenditures from August 1, 2017, through February 28, 2019. Procedures to determine the completeness of that data included (1) generating revenue and expenditure reports, (2) observing TEEX staff generate the data sets, and (3) reconciling the data to Texas A&M University System's annual financial report and the Office of the Comptroller of Public Accounts (Comptroller's Office) Fiscal

Management System. Auditors determined that the data was sufficiently reliable and complete for the purposes of this audit.

To determine compliance with training requirements, auditors reviewed training course data from TEEEX's Student Management System (SMS). To determine completeness of that data, auditors (1) observed the data extract, (2) generated a training course report, and (3) compared course data to the list of courses provided on TEEEX's Web site. Auditors determined that training data was sufficiently reliable for the purposes of this audit.

Auditors obtained a population of TEEEX's Hurricane Harvey-related contracts from August 1, 2017, through February 28, 2019, by comparing TEEEX's expenditure data to the contracts that TEEEX reported to the Legislative Budget Board. Auditors determined that the population of Hurricane Harvey-related contracts was sufficiently reliable for the purposes of the audit.

Auditors also tested user access and TEEEX's process for making changes to Masterpiece, SMS, and the servers and databases that host data for those systems.

Sampling Methodology

Auditors selected non-random samples of the following: (1) TEEEX expenditures, (2) TEEEX training courses, and (3) TEEEX contracts and master purchase agreements related to Hurricane Harvey. Auditors selected expenditures to ensure comprehensive coverage of expenditures based on dollar amounts and expenditure types and to ensure that multiple TEEEX divisions and participating entities were included. Auditors selected training courses based on the characteristics of the training program, course type, and number of course offerings. Auditors also selected a non-random sample of change management requests to ensure coverage of emergency and non-emergency requests. The samples were not representative of the population; therefore, it would not be appropriate to project the test results to the population.

Table 2 on the next page lists the samples selected for each category.

Table 2

Total Population and Samples Selected For Activities from August 1, 2017, Through February 28, 2019				
Description	Population Count	Population Amount	Sample Count	Sample Amount
Non-Hurricane Harvey Expenditures ^a				
Non-Hurricane Harvey Expenditures ^a	307,638	\$158,820,936	27	\$5,143,893
	Reported in Chapter 1-A		1	\$74,842
	Reported in Chapter 1-C		26	\$5,069,051
Hurricane Harvey Expenditures				
Hurricane Harvey Expenditures	3,531	\$5,926,724	25	\$2,764,673
	Reported in Chapter 1-A		15	\$1,843,261
	Reported in Chapter 1-B		10	\$921,412
Disaster-related Expenditures				
Disaster Related Expenditures ^b	1,188	\$6,831,076	57	\$1,408,160
	Reported in Chapter 1-A		53	\$1,312,219
	Reported in Chapter 1-B		4	\$95,941
Hurricane Harvey-related Contracts and Purchase Orders ^c				
Contracts	1	\$340,000	1	\$340,000
Purchase Orders	20	Not Applicable ^d	2	\$554,450
Training				
Training Classes	10,951	Not Applicable ^e	27	Not Applicable ^e
^a Population and sample includes purchase vouchers for expenditures not related to disaster-response activities, as well as those related to non-Hurricane Harvey disaster-response activities. ^b Samples were selected from purchase vouchers related to Hurricanes Florence, Harvey, Maria, and Michael, as well as severe weather deployments in September 2018 and October 2018. ^c Contracts and Purchase Orders samples are also included in the sample count for Hurricane Harvey Expenditures. ^d TEEX used pre-existing blanket purchase orders for most Hurricane Harvey-related purchases; therefore, the total value of the population is unknown. ^e Auditors selected the samples based on the class types and coverage across TEEX's divisions. Revenues or expenditures for the classes were not tested.				

Information collected and reviewed included the following:

- TEEEX's contracts and purchase agreements related to Hurricane Harvey.
- TEEEX's expenditures and training course data and supporting documentation including TEEEX training course records, purchase vouchers, invoices, and receipts.
- TEEEX's policies and procedures, including the Standard Administrative Procedures for employment, time and effort reporting, payroll, travel, curriculum development, and delivery records.
- Texas A&M University System's annual financial report for fiscal year 2018.
- User access data, password settings, and other supporting documentation related to the general controls over TEEEX's financial-related information system and SMS.

Procedures and tests conducted included the following:

- Interviewed TEEEX management and staff.
- Tested purchase vouchers to determine whether they were allowable, accurate, adequately supported, reviewed, and approved before payment.
- Tested samples of TEEEX's training course curriculum development files, course delivery records, human resource files and training records for instructors, and independent review records to determine compliance with TEEEX policies and procedures.
- Tested selected general controls for TEEEX's network, financial system, and SMS.

Criteria used included the following:

- TEEEX policies and procedures.
- U.S. Code of Federal Regulations, Title 2, Sections 200 and 220; and Title 44, Sections 206 and 208.
- Texas Government Code, Chapter 660.
- Comptroller's Office's *Texas Travel Management Guide*, *Texas Travel Allowance Guide*, and *State Property Accounting (SPA) Process User's Guide*.

- U.S. General Services Administration, Fiscal Year 2018 Per Diem Rates.
- TEEEX’s agreements with FEMA, the Texas A&M University System, and other third parties (including sub-recipients).
- Memorandums of understanding between TEEEX and Texas Task Force 1 participating entities.
- Texas Administrative Code, Title 1, Chapter 202; and Title 37, Chapter 215.
- Department of Information Resources’ *Security Control Standards Catalog*, Version 1.3.

Project Information

Audit fieldwork was conducted from December 2018 through September 2019. We conducted this performance audit in accordance with generally accepted government auditing standards.⁷ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor’s staff performed the audit:

- Krista L. Steele, MBA, CPA, CFE, CECFE, CIA, CGAP (Project Manager)
- Lilia C. Srubar, CPA (Assistant Project Manager)
- Mohammad Ali Bawany, MS
- Cody Bogan
- James Collins
- Jennifer Fries, MS
- Teri Lynn Incremona, CFE
- Douglas Jarnagan, MAcc
- Jessica I. Prieto, MPAcc
- Ann E. Karnes, CPA (Quality Control Reviewer)

⁷ United States Government Accountability Office’s *Government Auditing Standards*, 2011 Revision.

- Michael A. Simon, MBA, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 3 provides a description of the issue ratings presented in this report.

Table 3

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Supplemental Information - Hurricane Harvey Related Activities

Table 4 presents self-reported supplemental information related to the Texas A&M Engineering Extension Service's (TEEX) Hurricane Harvey-related activities.

Table 4

TEEX's Hurricane Harvey-related Activities	
(As of May 23, 2019)	
Total Amount of Funds TEEX Expended for Hurricane Harvey-related Activities:	\$6,075,245
Expended from Federal Pass-through Funds from Federal Emergency Management Agency (FEMA):	\$2,643,345
Expended from Local Funds:	\$3,431,900
Total Amount of Funds TEEX Received for Hurricane Harvey-related Activities (100 percent FEMA) ^a :	\$5,067,636
TEEX's Projected Final Costs of Hurricane Harvey-related Activities:	\$6,076,369
TEEX Contract Associated with Hurricane Harvey-related Activities:	
Vendor Name:	Duck Adventures, Inc.
Contract Amount:	\$340,000
Amount Expended:	\$340,000
Contract Purpose:	Purchase of 4 amphibious passenger vehicles
Award Date:	September 2, 2017
Contract Term:	One-time purchase
^a FEMA informed TEEX that it would be reimbursing 100 percent of Hurricane Harvey-related expenditures when FEMA typically reimburses 75 percent for disaster-related activities, with state disaster funds covering the remaining 25 percent. TEEX asserted that it is not required to seek other outside funding for its Hurricane Harvey-related activities.	

Source: TEEX.

Expenditures at TEEX

The Texas A&M Engineering Extension Service (TEEX) had \$165.1 million in total expenditures from August 1, 2017, through February 28, 2019. Of that amount, \$10.5 million (6 percent) was for disaster-response activities. The majority of those disaster-response expenditures, \$7.6 million (73 percent), were for personnel costs for deployed Texas Task Force participating entities. Table 5 shows the breakdown of TEEX expenditures and the report chapters that discuss those expenditures.

Table 5

TEEX Expenditures from August 1, 2017, through February 28, 2019			
Description	Amount	Percent	Chapter Discussed
All Expenditures			
Total Disaster Expenditures	\$ 10,470,624	6%	1-A and 1-B
Non-Disaster Expenditures	154,619,151	94%	1-C
Total Expenditures	\$165,089,775	100%	
Disaster-related Expenditures			
Personnel-related	\$ 7,627,845	73%	1-A
Non-Personnel-related	2,842,779	27%	1-B
Total Disaster Expenditures	\$10,470,624	100%	

Source: TEEX.

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
20-006	An Audit Report on Hurricane Harvey Disaster Recovery Funds Administered by the General Land Office	October 2019

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The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas A&M Engineering Extension Service

Mr. David Coatney, Agency Director

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