PROJECT SUMMARY

Overview

Texas A&M University has made little progress in implementing its Vision 2020 goal for improving and expanding residential facilities on campus. The Vision 2020 plan contains a goal to maintain and enhance the quality of the University’s residential campus by improving and expanding resident facilities. This includes new residence halls equipped for the technological climate of the 21st century and on-campus housing for all freshmen who request it. Residence Life began performing various studies and analyses for updating existing on-campus student housing in 2002. However, no major renovation or construction of new residence halls has occurred at the University since 1989.

Residence Life has various financial and management controls in place to provide assurance that resources are used efficiently and effectively. However, significant improvements in the financial accounting and reporting of Residence Life operations are needed to provide additional financial information for more informed decision-making.

Additional opportunities for improvement were also noted in the areas of cash receipting, safety inspection follow-ups, conference housing contracts, and facilities maintenance.

Summary of Significant Results

Renovation/Construction of Student Housing

No new construction or major renovation of on-campus student housing has been performed since 1989. The Department of Residence Life and various other University stakeholders initiated efforts to prepare long-term construction and renovation plans in August of 2002 with the beginnings of a campus-wide student housing master plan that considered the University’s residential needs for the next several decades. The master plan was completed in August of 2007. In addition, a site feasibility study was performed in 2008-2009 to address any problems or issues related to the planned construction prior to hiring an
architect/engineer to design and build the new residence halls. These studies indicate that current on-campus student housing is becoming increasingly outdated and does not include most of the modern amenities available to students in the external housing market. In addition, although the exteriors still appear to be in good condition, the interiors of most of the older dorms and the University Apartments need substantial renovations and replacements. These construction and renovation planning efforts have spanned six years and incurred significant costs and time to complete. However, other than the recently approved construction of a new University Apartment complex, no construction or renovation projects for student housing are slated to begin until at least 2011 according to the University's most recent capital plan.

**Financial Accounting and Reporting**

Although several financial management reports are available for Residence Life operations, only limited financial statements are currently prepared. For example, existing financial statements do not provide revenue and expense data at a residence hall or program level and do not include depreciation. Providing a sufficient level of detail could assist management in reaching their ultimate goal of overall capital maintenance and the renewal and replacement of equipment and facilities. Detailed financial accounting and reporting of Residence Life operations can also provide management sufficient information for decision-making purposes; such as determining whether the amount of revenue generated from operations is appropriate to cover all costs, including estimated deferred maintenance and the renewal and replacement of equipment and facilities. Without this detailed financial information it is difficult to determine the extent to which individual residence halls or University apartment complexes are self-supporting and cost-efficient.

**Summary of Management’s Response**

*Residence Life is dedicated to providing cost-effective and quality campus housing that enhances the educational experience. Implementation of the recommendations contained within the audit report will strengthen Residence Life operations.*

*The Vice President for Student Affairs in conjunction with Residence Life will work with University management to obtain approval of the housing master plan and work with the Council on the Built Environment and other facilities planning bodies so that the design and construction of new campus housing can proceed on the earliest possible timetable.*
Residence Life will develop additional financial reports, such as facility level statements, to enhance information available for monitoring, analysis, and decision-making.

Scope

The review of Residence Life operations focused on the areas of financial accounting and reporting, facility renovation and construction, facilities maintenance, cash receipts and billings, safety and security, and use of procurement cards. The review period was September 1, 2007 to February 28, 2009 although some activities outside this time period were examined as necessary. Fieldwork was conducted April through July 2009.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Renovation/Construction of Student Housing

Observation

No new construction or major renovation of on-campus student housing has been performed since 1989. The Department of Residence Life and various other University stakeholders initiated efforts to prepare long-term construction and renovation plans in August of 2002 with the beginnings of a campus-wide student housing master plan that considered the University's residential needs for the next several decades. This included a market analysis in 2003-2004 and a financial analysis in 2006–2007. The master plan was completed in August of 2007. In addition, a site feasibility study was performed in 2008-2009 to address any problems or issues related to the planned construction prior to hiring an architect/engineer to design and build the new residence halls. Studies performed during these planning processes indicate that current student housing at the University is becoming increasingly outdated and does not include most of the modern amenities available to students in the external housing market. These studies indicate that although the exteriors still appear to be in good condition, the interiors of most of the older dorms and the University Apartments need substantial renovations and replacements. These construction and renovation planning efforts have spanned six years and incurred significant costs and time to complete. However, other than the recently approved construction of a new University Apartment complex, no construction or renovation projects for student housing are slated to begin until at least 2011 according to the University's most recent capital plan.

Initial delays in updating the existing student housing were primarily due to extensive debt incurred from past student housing construction and safety renovation projects. However, the University currently has no outstanding debt related to student housing. In addition, the long-term construction and renovation plans for on-campus student housing, which were completed in 2007, were determined to be financially feasible using a comprehensive financial proforma developed for the student housing master plan. This proforma indicates that planned construction and renovation of future on-campus student housing would be feasible to the extent that debt service does not exceed debt service capacity. However, it was noted that the cost and other financial assumptions
used in this proforma have not been updated as external market conditions have changed. Also the assumption used to estimate the amount of reserves needed for deferred maintenance is not based upon a recent facilities assessment.

More recent barriers encountered since the construction and renovation plans were developed include unresolved disagreements with other University areas affected by the proposed new construction. Turnover in University management and recent economic uncertainty have also impacted the implementation of these plans. In addition, there does not appear to be an adequate process in place for overseeing the implementation of the student housing master plan. The plan has not been formally adopted and no reporting mechanism is in place to communicate the progress made in implementing the plan. As a result, the on-campus student housing projects included on the University’s most recent capital plan are now two to five years behind the construction and renovation timeline developed in the student housing master plan.

Lack of implementing these construction and renovation plans in a timely manner could affect the University’s ability to provide sufficient housing to meet increased University enrollment projections and desired academic enhancement and collaborative initiatives. Current residence hall capacity is 7,660 for non-Corp residents with a 96% occupancy rate and 2,120 for the Corps of Cadets with an occupancy rate of 78% which is lower due to Corp attrition each semester. Each year the University turns away four to five hundred students that have applied for on-campus housing along with an unknown number who cannot apply due to the closing of the application process when capacity is filled.

The University’s Vision 2020 plan developed in the late 1990's includes maintaining and enhancing the campus environment by valuing the residential experience with new residence halls equipped for the technological climate of the 21st century and providing on-campus housing for all freshmen who request it. The plan also includes creating living-learning communities to increase opportunities for all students to develop academic and social connections that facilitate academic success and involvement in the life of the institution. One additional University goal in the Vision 2020 plan is to implement the comprehensive and on-going/long-term replacement and renovation cycle for all on-campus student housing within three to five years. Without the ability to provide contemporary, high quality, living environments for undergraduate students, University goals for maintaining and enhancing the residential on-campus living experience will not be achieved. Also, the University may not remain competitive in the local student housing market.
The University should continue working to implement plans for replacement and renovation of existing on-campus student housing in accordance with University goals by implementing the following:

- Formalize the adoption of the student housing master plan and develop a mechanism for periodically reporting its implementation progress to the appropriate levels of executive management.

- Include scalable options with differing levels of amenities and costs in proposals for new construction and renovation to increase the chances that the proposals are accepted and approved by executive management and the Board of Regents.

- Elevate the level at which new construction and renovation planning occurs within the University to better ensure that adequate priority is given to implementing these plans and that any issues arising which cross multiple University areas are resolved in a timely manner.

Periodically update the current financial proforma especially as new construction and renovation proposals are submitted as follows:

- Update assumptions based on changing market conditions in order to better determine the financial feasibility of future construction and renovation of on-campus student housing.

- Revise the assumption for deferred maintenance reserves based upon a recent facilities assessment completed by the University.

- Use the actual revenues and expenses included on the financial statements referred to in observation #2 below to update the estimated revenues and expenses used in the proforma.

- Perform a formal market analysis of planned rental rates for new or renovated on-campus student housing to determine their comparability to local external housing rates.

Attempt to better utilize existing on-campus housing capacity by performing an analysis of additional students that could be accommodated and the corresponding revenues achieved by using residence hall rooms allocated to the Corp of Cadets that become available after the beginning of each semester.
Management's Response

1. Renovation/Construction of Student Housing (cont.)

Residence Life will continue its efforts to improve student housing and meet University goals in this area. The Vice President for Student Affairs in conjunction with Residence Life will formalize the housing master plan by seeking approval of the plan by executive management. The formalization process will assist in addressing items that cross multiple University areas. Proposals with scalable options will be developed to provide various alternatives to be considered during the decision-making process.

The Vice President for Student Affairs and Residence Life will work with the executive management, Council on the Built Environment, and other facilities planning bodies to ensure that the housing master plan and related construction and renovation proposals are given full consideration as part of the University decision-making and capital planning processes.

Status reports of the housing master plan will be provided to executive management on an annual basis.

It is expected to have the housing master plan presented by January 2010 and begin periodic status reports to management by February 2011.

Periodically, the financial proforma will be revised as needed to reflect updated assumptions regarding market conditions and deferred maintenance reserves. Additionally, the format will be modified to be consistent with actual financial statements. Residence Life will seek the assistance of the Division of Finance as part of the overall implementation process. An updated proforma will be complete by February 2011.

For new construction or major renovations, a formal market analysis will be completed by the architect/engineer firm employed to design and construct new facilities. This requirement will be included as part of the Request for Qualifications.

Residence Life will work with the Corps Housing Office, the Commandant of Cadets, and the Vice President for Student Affairs Office to analyze and develop a plan regarding utilization of Corps of Cadets’ rooms that become available after the beginning of the semester. An analysis, plan, and timeline for any action items will be complete by August 2010.
2. Financial Accounting and Reporting

Observation

Although Residence Life generates several different budgeting and other financial reports, only limited financial statement reporting is performed. In addition, costs are not allocated at a detailed level. The following conditions were noted in regard to financial statement reporting and cost allocations for Residence Life operations:

- The current Statement of Revenues and Expenditures does not include all Residence Life accounts such as temporary accounts or those not considered to be revenue generating.

- No depreciation or other form of non-cash expense is included to address or account for deferred maintenance and renewal and replacement of equipment and facilities.

- The current level of cost accounting does not provide sufficient detail to determine the financial performance and self-sufficiency of each individual residence hall or University Apartment complex.

- No balance sheet is prepared to report on the current financial condition of Residence Life operations.

- Revenues and expenses incurred for Residence Life operations are manually entered into a separate fund accounting system in order to generate budget and financial reports due to past limitations in Financial Accounting Management Information System (FAMIS) reporting.

Management relies primarily on budgeting and other financial reports related to overall Residence Life operations for decision-making purposes rather than detailed financial statements. Detailed financial accounting and reporting at a residence hall and apartment complex level as well as preparation of comprehensive financial statements would provide management with additional information for more informed decision-making. In addition, it would better ensure that current housing rates are set to generate the appropriate amount of reserves needed.

The National Association of College and University Business Officer’s (NACUBO) College and University Business Administration guidelines state that each auxiliary enterprise has the same need for accounting records as have comparable enterprises operated by the private sector. It is important to use cost accounting methods suitable for evaluating, analyzing, and
controlling income and expense items, so that appropriate fees and prices may be established. In addition, accounting records are essential to ascertain the degree of self-support of an auxiliary and to provide the basis for control.

Recommendation

Work with the University's financial management office to develop comprehensive financial statements for Residence Life operations which include a detailed allocation of costs as follows:

- Prepare an individual statement of revenues and expenses for each residence hall and University Apartment complex.

- Include depreciation or some other form of non-cash expense on the statement to account for future deferred maintenance and renewal and replacement of equipment and facilities.

- Calculate existing deferred maintenance costs using the University’s recently completed facilities assessment and allocate these costs to each corresponding residence hall and apartment complex.

- To the extent that current expenses are not directly associated with a specific residence hall or apartment complex (i.e. repairs, utilities, etc.), include these expenses as overhead expenses. Allocate these overhead expenses to each housing facility based upon a reasonable method such as the number of beds or square footage of each facility.

- Continue working to revise current financial and accounting processes as needed to more directly associate these overhead expenses with individual residence halls and apartment complexes to better account for financial activity at this level.

- Prepare a comprehensive balance sheet to show the financial condition of Residence Life.

Reexamine housing rates periodically using the above financial information to ensure that appropriate reserves are generated for future deferred maintenance and renewal and replacement of equipment and facilities.

Explore recent or planned modifications to FAMIS which may better allow the preparation of financial statements and consider the use of these new reporting tools for greater efficiency given
Current processes do not adequately ensure that all University Apartment payments are properly received and accounted for.

Observation

The University Apartments generate approximately $3 million in rent annually. Several conditions were noted regarding the processes for receiving and accounting for rental payments as follows:

- Rental payments are received by University Apartment cashiers located in the Apartment’s Community Center due to the fact that most apartment leases are on a monthly basis and electricity and repair charges are paid separately from rent. This inhibits the ability to move these cashiering activities to the University cashiers or to process them through the University’s student information system.

- In addition to receiving payments, the cashiers also have the ability to make entries and adjustments in the University...
3. University Apartment Cash Receipts (cont.)

- Apartment database resulting in an inadequate segregation of incompatible duties.
- The current University Apartment database does not provide sufficient revenue reports or rental billings to facilitate a reconciliation of rental revenue received with expected rent payments. A new database is currently being developed with plans to include additional revenue reports and the ability to prepare rental billings.

Although our testing indicated no anomalies with regard to actual University Apartment rental revenue received and deposited during the audit period, inadequately segregated duties for receiving and recording payments along with the lack of a corresponding reconciliation of rental revenue received could result in lost or missing University Apartment rent payments without detection.

TAMU Financial Management Operations’ Guidelines for Cash Handling Procedures states that segregation of duties is essential to prevent one individual from having responsibility for more than one component of the cash receipts process including the collecting, depositing, and reconciling of cash receipts. In addition, the original source of the cash receipt funds should be reconciled to FAMIS daily, weekly, and/or monthly.

**Recommendation**

Continue working to move University Apartment cash receipt operations to the University cashiers or ultimately incorporating them into the University's registration process similar to the current residence hall payment process. Make any necessary adjustments to current cash receipt processes to facilitate this move.

During the interim, complete implementation of the new apartment database. Ensure that this database addresses the issues noted above including an adequate segregation of duties such as reducing the ability of the cashiers to make adjustments to database information used for reconciling revenue received. Also include sufficient revenue reporting capabilities to facilitate a monthly reconciliation between rent revenue received and tenant occupancy information to ensure rental payments have been properly received and deposited from all current tenants.

**Management’s Response**

*In order to reduce payments received by University Apartment cashiers, Residence Life will work with Student Business Services regarding the ability to convert University Apartment student billings...*
Follow-up Safety Inspection Documentation

Observation

Inspections are performed annually for all residence hall rooms and semi-annually for all University Apartments to ensure residents adhere to fire and life safety guidelines. These inspections are performed by an environmental safety specialist along with resident advisors. Follow-up inspections are then performed by resident advisors to ensure all inspection issues are resolved in a timely manner. However, monitoring of this process has not been consistently performed. As a result, inspection follow-ups for eight of ten (80%) on-campus student-housing facilities tested had follow-up inspection forms that were not accurate or fully completed as follows:

- One of ten (10%) had inspection follow-up forms that could not be located.
- Four of nine (45%) had inspection follow-up forms that were not completed timely or had no indication of when they were completed.
- Four of nine (45%) had inspection follow-up forms that did not indicate whether all safety deficiencies had been resolved or that additional follow-up steps were taken.
- Four of nine (45%) had inspection follow-up forms that were not fully completed including missing resident signatures, follow-up dates, and dates of check.

Without adequate documentation of follow-up safety inspections performed it cannot be sufficiently determined whether fire and life safety deficiencies identified are being resolved in a timely manner.
Residence Life’s Fire Safety Protocol for Fall 2008 states that all initial and follow-up contacts for resolving safety inspection violations need to be completed no later than two weeks from the time the hall director received the violation spreadsheet. In addition, if the violation has been corrected it should be noted on the form otherwise the resident advisor should write an incident report and include the incident report number on the spreadsheet.

**Recommendation**

Increase monitoring of fire and life safety inspection follow-ups to better ensure that these inspections are occurring as intended and all inspection issues are being resolved in a timely manner including accurate and complete documentation of these follow-up inspections. Provide additional training to and oversight of resident advisors as needed to ensure follow-up inspection procedures are being followed.

Consider performing fire and life safety inspections of residence halls on a semester basis to better reinforce safety practices with the students and also help identify any unresolved follow-up safety inspection deficiencies.

**Management's Response**

*For immediate effect, new training tools and accountability checks were provided to resident advisors and hall directors during fall semester 2009 staff training.*

*The inspection process of residence halls and apartments will be reviewed. Written procedures will be distributed to establish standards and provide for consistency in the inspection process, timeliness of follow-ups, process for unresolved issues and documentation requirements. The procedures will incorporate a monitoring aspect for follow-up inspections. Residence Life is also exploring obtaining software to assist with the safety inspection process.*

*Target Date: November 2010.*

*Residence Life will review the inspection method and frequency with the Environmental Health and Safety Office. This review/evaluation will be completed by February 2010.*
5. Conference Housing

Observation

Signed contracts or Letters of Agreement are not consistently obtained for housing services provided prior to various conferences and other events held at the University. In some cases, Residence Life relies upon the sponsor of the event to handle these contractual duties.

Without formal agreements each party may not be aware of their responsibilities resulting in potential disagreements in situations such as cancellation of the conference or bringing excess attendees. In addition, the University may be at greater risk of exposure to the extent that safety responsibilities and corresponding liability are not properly defined.

TAMU Rule 25.07.99.M1, Contract Administration, states that written contracts shall be executed whenever the University enters into a binding agreement with another party that involves any stated or implied consideration.

Recommendation

Continue the process of developing a standard contract or agreement to use when providing housing services for conferences and other events held at the University. Ensure these contracts/agreements are signed by both parties before services are provided and contain all necessary language including adequate liability provisions.

Management's Response

Residence Life will review and update all current existing conference agreements with appropriate personnel by November 2009. Residence Life will continue to have conference sponsors sign off on the appropriate contract/agreement forms. A standard conference housing contract will be developed by February 2010 and will be used for conferences utilizing Residence Life facilities beginning in the summer of 2010.
6. Facilities Maintenance

**Observation**

<table>
<thead>
<tr>
<th>Potential inefficiencies exist due to having separate maintenance processes with different work order systems for the residence halls and University Apartments.</th>
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<tbody>
<tr>
<td>Residence Life has two separate maintenance processes which use different work order systems for the residence halls and University Apartments. In addition, the University Apartment maintenance staff contains skilled workers who perform more significant repairs and maintenance than the residence hall staff who utilize the University’s physical plant in these situations.</td>
</tr>
<tr>
<td>Residence Life management indicated that in the past the University has required all residence hall maintenance other than minor issues to be performed using the University’s physical plant. However, this requirement was not originally applied to the University Apartments and has not been reviewed recently by the University.</td>
</tr>
<tr>
<td>Implementing and maintaining separate maintenance processes and multiple work order systems could lead to possible duplication of duties and costs resulting in an inefficient use of resources.</td>
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**Recommendation**

| The University should review its current policy regarding use of the physical plant for residence hall and University Apartment maintenance for consistency and efficiency of operations. Subsequently, explore the possibility of combining the separate maintenance processes and work order systems currently in place including the possible use of the skilled University Apartment maintenance staff for residence hall maintenance projects. |

**Management’s Response**

| The policies and processes regarding residence hall and University Apartment maintenance will be reviewed to identify changes that will increase efficiency. The review will be complete by August 2010. |
BASIS OF REVIEW

Objective

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

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Texas A&M University Rules and Procedures; the National Association of College and University Business Officer (NACUBO) College and University Business Administration guidelines; and other sound administrative practices. This audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

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

Background

The Department of Residence Life is responsible for managing and operating campus housing for undergraduate students, graduate students, and conference guests. The department currently operates 29 residence halls with the capacity for over 7,600 students along with 10 residence halls with the capacity for over 2,000 students for the Corps of Cadets. The department also houses over 900 students and family members in 615 University Apartments some of which are being currently replaced with the construction of a new apartment complex. In the summer of 2008, the Residence Life Conference Services program hosted over 12,000 guests for 68 events generating an income of over $600,000. The department has a total of 417 employees including 42 professional staff, 87 custodial staff, 18 graduate hall directors, 30 maintenance staff, 152 resident advisors, and 70 student assistants.
Total budgeted revenues for fiscal year 2010 are almost $40 million of which over 50% is used to fund salary and utility costs. The University currently has no outstanding debt related to existing student housing.
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