PROJECT SUMMARY

The Trans-Texas Videoconference Network (TTVN) assessment methodology and rates at Texas A&M University are consistent with TTVN’s operating philosophy as outlined in System Regulation 17.02.03. Each System member’s annual assessment covers operating costs, hardware and software maintenance costs, and planned capital expenditures. Non-System sites pay an annual affiliation fee. The methodology was designed by a Telecommunications Council sub-committee, evaluated by the Telecommunications Council and approved by System Chief Financial Officers in July 2007. The Telecommunications Council is made up of System member Chief Information Officers and is chaired by Texas A&M University’s Executive Director of Educational Broadcast Services.

TTVN provides the wide area network (WAN) for the Texas A&M University System. The WAN connects System members with the Financial Accounting Management Information System (FAMIS), Budget/Payroll/Personnel (BPP) and other administrative systems, and provides video-conferencing and TAMU intranet, intranet connection to the Lone Star Education and Research Network (LEARN), Internet, Internet2, and Voice over IP (VoIP) services.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Written Procedures Regarding the Calculation Process

Observation

While TTVN’s written procedures provide cost center definitions, projected expenses by cost center, an outline of operational philosophy and the Excel tool used to derive the amount assessed to each System member, and TTVN’s description and documentation of the calculation process could be enhanced.

TTVN’s current written procedures do not include a step-by-step description of the assessment process to provide staff or an
independent reviewer with guidance on how to arrive at the assessment. By not providing narratives and documentation to direct activities, there is an increased risk that important procedures and guidelines will be bypassed or inappropriately handled. This is especially relevant given that the assessment calculation is performed on a complex Excel spreadsheet and generally involves going through a number of iterations to arrive at some of the rates. In addition, the staff currently working with the assessment has been with TTVN for over 30 years. Without detailed written procedures, current expertise could potentially be lost with employee turnover.

Recommendation

Enhance written procedures to provide more detailed instructions on how rates are calculated.

Management’s Response

Management will develop a step-by-step instruction manual detailing the process required to develop the rates for the TTVN assessment. The documentation will include the following:

- **Document the steps to develop the budget requirements for the upcoming year.**
- **Develop a document that describes the process utilized to develop the rates required to meet the budget requirements.**

Management will use the current (FY09) assessment period to refine the process and develop the documentation. The complete documentation will be finished by May 31, 2008 and will be used for the FY10 assessment. The documents will be refined as necessary each year.

2. Calculation Tool

Observation

Excel spreadsheets may not be the most efficient and accurate means of calculating TTVN rates. The assessment rates are calculated with the use of an internally developed tool which is comprised of a set of complex Excel spreadsheets. The tool allows users to alter fields/cells on the main worksheet without adjusting the supporting worksheets. As a result, the audit found that some of the cells on the main spreadsheet did not agree with the supporting spreadsheets. The tool is not designed to prevent
or detect inconsistencies between the lead spreadsheet and the supporting schedules, elevating the risk for both intentional and non-intentional errors. TTVN management is aware of these limitations and is currently considering the use of a SQL server database with a web page front end. The database would not only improve efficiency and accuracy, it would allow member institutions to update and view their data at any point during the year.

**Recommendation**

Reduce the complexity of the rate calculation tool while improving its accuracy. Develop detailed written procedures and instructions on how to use the rate calculation tool.

**Management’s Response**

*While the spreadsheet will continue to be used in calculating the draft rates, Educational Broadcast Services will begin using a database structure for collecting and tracking the “tallying” information required to make the assessment. This will increase the efficiency in data collection and decrease opportunity for data loss. The databases will include information regarding telecommunications costs, port assignments, utilized bandwidth, video sites supported, and video sites under maintenance.*

- A database for the Telecom costs will be developed by February 2008.
- A database for the Video Support and Maintenance information will be developed by February 2008.
- A database that tracks port assignments and bandwidth usage/allocation will be developed by August 2008.

*The procedures will be updated to reflect the use of the databases as part of the next calculation process. The procedures will be updated by February 2009.*

**BASIS OF REVIEW**

**Objective and Scope**

The overall objective was to review and assess TTVN’s newly developed assessment methodology and rate formula, and to determine the extent to which the methodology is effective and efficient and in compliance with A&M System regulation. The
review of TTVN rates focused on the new assessment methodology and formula developed in November 2006, and approved by System Chief Financial Officers in July 2007. The transactions and activities related to the assessment were reviewed for the period September 1, 2005, through August 31, 2006. Fieldwork was conducted primarily from September through October 2007.

Criteria

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

Background

TTVN provides the wide area network (WAN) for the Texas A&M University System. The WAN connects System campuses with FAMIS, BPP and other administrative systems, and provides video-conferencing and TAMU intranet, intranet connection to the Lone Star Education and Research Network (LEARN), Internet, Internet2, and Voice over IP (VoIP). With an annual budget of approximately $3 million, TTVN is responsible for the engineering and operating of the network of circuits, routers, and switches.
AUDIT TEAM INFORMATION

Auditors Assigned to the Review

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Contact Information

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