PROJECT SUMMARY

Overview

Overall, the financial and management controls over the Integrated Ocean Drilling Program (IODP) at Texas A&M University provide reasonable assurance that resources are used efficiently and effectively and in compliance with laws, policies, regulations, and University rules with the exception of cost share compliance and environmental health and safety monitoring. Improvements are also needed in information technology disaster recovery planning and payroll routing.

IODP is a research partnership between the Consortium for Ocean Leadership, Columbia University and Texas A&M University to operate the drillship, JOIDES Resolution, archive samples collected, and publish results of scientific operations. IODP was established in 2003 by a ten-year contract projected to total over $400 million. This is the single largest research contract in the Texas A&M University System, and is administered by the Texas A&M Research Foundation and the College of Geosciences.

Summary of Significant Results

Cost Share Compliance

IODP cost share commitments of approximately $55 million cannot be substantiated as accurate and compliant. Cost share accounts were not originally established as required by University procedures to record University payments toward cost share commitments made in the IODP contract with the sponsoring organization. The University does not have a monitoring process to ensure that IODP cost share commitments are maintained in compliance with contract and grant requirements, A&M System policies and University procedures. In addition, documented contractual cost share commitments have not been updated to reflect changes from modifications made to the original contract agreement. Without well-documented information for both the sponsor’s expectations and the University’s cost share payments
the risk is increased that the University will not be able to demonstrate compliance with the sponsor’s cost share requirements.

Environmental Health and Safety

Better communication and coordination between IODP and the University’s Environmental Health and Safety Department (EHSD) is needed to ensure that safety hazards at the IODP building are identified and addressed in a timely manner. The IODP building proctor was unaware of safety hazards noted by EHSD inspectors because EHSD inspection reports were not copied to upper management at IODP. In addition, there were areas at IODP that did not receive appropriate inspections due to a lack of communication and understanding between IODP and EHSD about the type of activities occurring in those areas. Timely identification and resolution of environmental health and safety issues decreases the risk of injuries to employees, students and visitors of the IODP building.

Summary of Management’s Response

Management appreciates the work of the System Internal Audit staff. Action steps have begun to implement the recommendations in the report regarding cost share compliance, environmental health and safety inspections, disaster recovery and payroll routing. Management is in the process of implementing changes to operating protocols as a result of a recent reorganization. The report recommendations will be incorporated into the updated protocols.

Detailed responses are included in each of the following sections.

Scope

The review of the Integrated Ocean Drilling Program focused on the areas of contract compliance, environmental health and safety, and cash management processes. Transactions and activities were reviewed primarily for the period from June 1, 2009 through May 31, 2010. Fieldwork was conducted from May to July, 2010.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Cost Share Compliance

Observation

IODP cost share commitments of approximately $55 million cannot be substantiated as accurate and compliant. Cost share accounts were not originally set up in compliance with University Standard Administrative Procedure (SAP) 15.01.01.M1.03 to record University payments toward cost share commitments. Cost sharing on federal agreements is participation in the costs of a sponsored project by the University using non-federal funding sources. If cost sharing is specified and quantified in the proposal budget, budget justification, or budget narrative by the University, the institution is committed even when not required by the sponsor. Cost incurred by the University to fulfill cost sharing pledges or commitments must coincide with the budget period of the sponsor award.

The University does not have an effective monitoring process to ensure that cost share commitments for the IODP project, which is administered by the Texas A&M Research Foundation and the College of Geosciences, are maintained in compliance with contract and grant requirements, A&M System policies, and University procedures. In addition, documented contractual cost share commitments have not been updated to reflect changes from modifications made to the original contract agreement. For example, the contract originally called for a University cost share commitment to enlarge the core repository at an estimated cost of $1.2 million. It was later determined that this enlargement would not be required by the sponsoring organizations; however, there is no documentation regarding this decision or the resulting changes to University cost share commitments. Many of the individuals involved when these changes were made are no longer available to explain cost share commitment expectations. Without well-documented information for both the sponsor’s expectations and the University’s cost share payments the risk is increased that the University will not be able to demonstrate compliance with the sponsor’s cost share requirements.

Recommendation

Establish a process to effectively monitor IODP cost share commitments for compliance with contracts, grants and University
1. Cost Share Compliance (cont.)

Management's Response

Better communication and coordination between IODP and the University’s Environmental Health and Safety Department (EHSD) is needed to ensure that safety hazards at the IODP building are identified and addressed in a timely manner. The IODP building proctor was unaware of safety hazards noted by EHSD inspectors because EHSD inspection reports were not copied to upper IODP management. In addition, there were areas at IODP that did not receive appropriate inspections due to a lack of communication and understanding between IODP and EHSD about the type of activities occurring in those areas. Timely identification and resolution of environmental health and safety issues decreases the risk of injuries to employees, students and visitors to the IODP building.

University Rule 24.01.01.M4 establishes the department as the responsible party for maintaining a culture of safety, responding to safety and environmental audits or inspections, ensuring employees are aware of the University policy pertaining to the environment, and monitoring compliance with applicable rules and regulations. Noncompliance with environmental safety standards procedures. Ensure that University cost share payments are accurately recorded in IODP cost share accounts. Request updated contractual cost share commitments approved by the sponsoring organization.

Management's Response

The College of Geosciences will have primary responsibility in assuring that cost sharing information is accurate and is recorded in the appropriate accounts. The Texas A&M Research Foundation will assist the College of Geosciences in assuring that the cost sharing commitment is made according to contract requirements. The Texas A&M University Division of Research and Graduate Studies will provide assistance and oversight in the development and maintenance of this process.

This process will be defined, functioning and the documentation of compliance with cost share commitments will be in place by May 2011.

Updated cost sharing commitment documentation will be submitted to the sponsor no later than May 2011.

2. Environmental Health and Safety Observation

Management of environmental health and safety inspections at IODP needs improvement.
2. Environmental Health and Safety (cont.)

iodp does not have a current, tested disaster recovery plan.

leads to an increased risk of injuries to employees, students and visitors.

Recommendation

Improve communication and coordination between IODP and EHSD to provide for more effective monitoring and timely resolution of safety hazards.

Management’s Response

In order to ensure IODP-wide communication of the importance of safety and to improve communications with EHSD, IODP will coordinate with EHSD and jointly review all areas of the IODP facility. The current use of each area will also be reviewed to ensure that each area is receiving the appropriate inspections.

IODP will request that EHSD direct all inspection reports to the building proctor and area safety coordinator for the area reviewed with a copy to the IODP director. Safety coordinators are members of the safety committee. The building proctor, who reports directly to the IODP director, has been named IODP safety committee chairman. The building proctor, under the direction of the IODP director, will utilize the safety committee to ensure that issues are addressed in a timely manner.

The program will be in place, documented, tested, and refined by May 2011.

3. Information Technology Disaster Recovery Plan

Observation

iodp does not have a current, tested disaster recovery plan. A disaster recovery plan had previously been developed and documented; however, it was not kept current, tested or distributed to key individuals. There have been organizational and personnel changes at IODP in the past year. The person that was responsible for the plan is no longer at IODP.

University SAP 29.01.99.M1.32 states, “Maintaining a disaster recovery plan as part of a business continuity plan is of key importance in providing the ability to minimize the effects of a disaster. A disaster recovery plan that is kept up to date and tested on a regular basis allows a department to resume mission-critical functions in a timely and predictable manner.”
3. Information Technology Disaster Recovery Plan

Failure to develop, document, and formally test a disaster recovery plan and implement adequate data backup practices increases the risk that mission-critical systems and data will not be available in a timely manner in the case of a disaster or other loss of service.

**Recommendation**

Establish a current, documented disaster recovery plan, distribute to key personnel and store offsite. Perform disaster recovery testing annually.

**Management’s Response**

IODP Information Technology management has begun the process of updating the IT disaster recovery plan to reflect current operations and updated information technology practices. The plan will be distributed to appropriate personnel. A copy of the plan will be maintained offsite. The plan will be tested in accordance with a rigorous test schedule to ensure adequacy of coverage.

IODP management anticipates that the revised information technology disaster recovery plan will be in place, documented, tested, and refined by May 2011.

4. Payroll Routing and Approval

**Observation**

Routing and approvals for payroll actions related to IODP employees does not include IODP management. Payroll actions are created by the payroll coordinator, a Research Foundation employee, and routed to the College of Geosciences for approval. IODP management is not included in the routing for approval. Not including IODP management in the routing and approval process increases the risk of incorrect or unauthorized personnel actions and payroll payments.

**Recommendation**

Establish payroll action routing and approval processes that include IODP management responsible for the employees.

**Management’s Response**

The routing and approval process for payroll actions will be modified to assure that IODP management is included in a defined role in the
4. Payroll Routing and Approval (cont.)

Payroll process. Management approval will be in place by November 2010 with the payroll routing and approval modifications documented, tested, and finalized by February 2011.
BASIS OF REVIEW

Objective

The overall objective was to assess the University’s financial and management controls over the Integrated Ocean Drilling Program to determine if resources are used efficiently and effectively and in compliance with applicable 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 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 Integrated Ocean Drilling Program is a ten-year international marine research program that explores Earth’s history and structure recorded in seafloor sediments and rocks, and monitors subsea-floor environments. IODP builds upon the earlier successes of the Deep Sea Drilling Project and Ocean Drilling Program, which revolutionized our view of Earth’s history and global processes through ocean basin exploration. IODP greatly expands the reach of these previous programs by using multiple drilling platforms, including riser, riserless, and mission-specific, to achieve its scientific goals. Prior to IODP, the University served as the science operator for the Ocean Drilling Program from 1985 through 2003.
AUDIT TEAM INFORMATION

Charlie Hrcir, CPA, Director
Sandy Ordner, CPA, Audit Manager
Joseph Mitchell
Katie Rannebarger, CPA

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