



TEXAS A&M INTERNATIONAL UNIVERSITY
A Member of The Texas A&M University System

**Department of
MIS and Decision Science**

From: Ned Kock, Chair, Sarbanes-Oxley Compliance Committee

To: Ray Keck, President

CC: Sarbanes-Oxley Compliance Committee
Dan Jones, Provost

Re.: Report on the work of the Sarbanes-Oxley Compliance Committee

Dear President Keck:

The Sarbanes-Oxley Compliance Committee conducted several activities between August and December 2005. Those activities culminated with the development of a self-certification document - a form to be completed and signed by unit heads.

Please find attached a more detailed report on the work of the Sarbanes-Oxley Compliance Committee. The report is organized in sections outlining the several steps taken by the Committee, in chronological order.

Also attached, at the end of the report, is the final version of the self-certification document, which the Committee recommends to be implemented through the Office of the VP for Finance and Administration.

A handwritten signature in blue ink, appearing to read "Ned Kock".

Report on the work of the Sarbanes-Oxley Compliance Committee at Texas A&M International University

August 23-25, 2005: Committee Formation

Dr. Ray Keck, TAMIU President, invited a group of individuals at TAMIU to participate in a Sarbanes-Oxley (S-O) Compliance Committee. The following individuals accepted to serve as members of the Committee:

- Frank Collins (Distinguished Professor of Accounting)
- Jose Garcia (VP for Finance & Administration)
- Ned Kock (Assoc. Professor/Chair of MIS & Decision Science)
- Elizabeth N. Martinez (Assoc. VP for Administration)
- Barbara J. Mathieu (Exec. Director of Development)
- Nasser Momayezi (Dean of Arts and Sciences/Regents Professor)
- Minita Ramirez (Assoc. VP for Student Success)
- Terry L. Shepherd (Assoc. Professor/Faculty Senate President)
- Rodney M. Webb (Director of Killam Library)

Dr. Ned Kock was asked and agreed to serve as the Committee Chair. The goal of the Committee was stated in Dr. Ray Keck's e-mail as follows: "... to devise ... a certain document budgetary unit heads must sign, an acknowledgement of responsibility for and fidelity to the rules, procedures, and policies of the A&M System and the laws of the land ... [a] document which both discloses and affirms responsibility for our various administrative duties."

September 20, 2005: Kick-Off Committee Meeting

Meeting location: President's Conference Room.

The meeting began at 2 pm and ended at 3.30 pm.

A kick-off meeting was conducted to discuss the work of the Committee. The following individuals were present at the meeting:

- Guests: Ray Keck (President), Dan Jones (Provost), and Candy Hein (VP for Inst. Advancement).
- Committee members: Jose Garcia, Nasser Momayezi, Ned Kock, Frank Collins, Elizabeth N. Martinez, Barbara J. Mathieu, and Minita Ramirez.

The Committee members and guests discussed general aspects of the Sarbanes-Oxley Act of 2002, and especially of its Section 404, which deals with management assessment of internal controls.

It was noted that TAMIU, as a non-profit organization, does not have to comply with the S-O Act of 2002. TAMIU's development of internal controls (through a self-certification document) should be seen as a voluntary attempt to ensure that TAMIU is committed to fostering the highest standards of ethics, integrity, and accountability at all levels of its administrative structure.

Several examples of S-O self-certification documents adopted by other universities were discussed at this meeting. Also, Dr. Collins discussed the S-O Act of 2002 from an accounting and auditing perspective, and Mr. Garcia discussed several aspects of the likely impact of TAMIU's initiative on financial reporting across the University.

September 21-22, 2005: Support Web Site Created

A Web site was created to support the work of the S-O Compliance Committee. The Web site contained the name and contact information for each of the Committee members, examples of self-certification documents adopted by other universities, several "useful publications" (such as the original text of the S-O Act of 2002), and links to "useful Web sites" (such as the site for the Public Company Accounting Oversight Board). The address of the support Web site is:

<http://cits.tamtu.edu/sarbox/>

September 28, 2005: Meeting with Roger Creery

Meeting location: TAMIU's Student Cafeteria.
The lunch meeting began at 12 noon and ended at 1.30 pm.

Dr. Kock and Dr. Collins met with Mr. Roger Creery, Business Fellow at the College of Business Administration and former chief executive of various companies. Mr. Creery has extensive experience in the implementation of internal controls in publicly traded companies for S-O compliance. He discussed several aspects of his past experience with S-O compliance.

At this meeting it became clear that full S-O compliance is a very expensive process, usually requiring the setting up of a specific organizational (e.g., a department) unit to achieve it. Also, full compliance often requires the use of specialized information systems for workflow management and document routing within an organization.

The costs and time commitment associated with full S-O compliance are probably among the reasons why S-O compliance is not required from non-profit organizations, since the compliance cost burden on those organizations would be very high. During this meeting, it was also clear that the self-certification document and associated procedures to be adopted by TAMIU would have to be as simple and straightforward as possible. Otherwise, they would create a substantial

burden on administrative units. That burden apparently did not escape the proponents of the Act, which accordingly exempted non-profit organizations from it.

**September 23-October 27, 2005:
Committee Review of Web Site Materials and Development of Version 1 of the Self-Certification Document**

During the period going from September 23 to October 27, 2005, the members of the S-O Compliance Committee reviewed the materials available from the support Web site, and provided additional ideas on the self-certification document.

Also during this period the Committee Chair prepared an initial version (version 1) of the self-certification document based on the discussion in the previous Committee meeting, the documents on the Committee's support Web site, the ideas provided by the Committee members, and the meeting with Mr. Creery.

**October 28-November 7, 2005:
Sub-Committee Review and Discussion of Version 1 of the Self-Certification Document, and Development of Version 2**

The Committee Chair shared the initial version (version 1) of the self-certification document with two of the Committee members, namely Elizabeth Martinez and Frank Collins, who have expertise in financial reporting and auditing issues. Those two Committee members then provided their feedback to the Committee Chair on the self-certification document. The Committee Chair then prepared version 2 of the self-certification document based on that feedback.

**November 8-20, 2005:
Committee Review and Discussion of Version 2 of the Self-Certification Document**

The Committee Chair shared the version 2 of the self-certification document with all of the Committee members by e-mail, asking them for their feedback, and also calling a face-to-face meeting of the Committee for November 21, 2005. Several Committee members provided the Committee Chair with e-mail feedback on the self-certification document. The Committee Chair compiled that feedback in preparation for the upcoming meeting.

**November 21, 2005:
Committee Meeting Recommending the Final Version of the Self-Certification Document**

Meeting location: KL 161.
The meeting began at 2 pm and ended at 3 pm.

The following Committee members were present at the meeting: Nasser Momayezi, Ned Kock, Frank Collins, Fred Juarez (representing Elizabeth Martinez and Jose Garcia), Minita Ramirez, Rodney Webb, and Terry Shepherd.

This Committee meeting was conducted to discuss all of the feedback received up until then, and to produce a final version of the self-certification document. Several new suggestions were made and discussed during the meeting, in addition to the feedback previously provided by e-mail, leading to changes in the previous version of the self-certification document.

Some Committee members had suggested, in their e-mail feedback, that the self-certification document should not allow for “Certification Exceptions”. However, the Committee members present at this meeting felt that the “Certification Exceptions” section was important, and recommended that it be maintained.

In this meeting the Committee members expressed that it was their understanding that the completion and signing of the self-certification document by various unit heads will be managed by Office of the VP for Finance and Administration. The Committee recommended to that Office to provide an “instruction sheet” to budget unit heads (i.e., those completing and signing the self-certification document) in which all of the key terms in the self-certification document are defined. The Committee also suggested that the instruction sheet should list the documents that should accompany the self-certification document - e.g., police reports related to the theft of equipment.

Some key terms that the Committee members believed may need to be defined in the above-mentioned instruction sheet:

- *Material*: The Committee perceived this to be a standard accounting term whose meaning in the self-certification document is “significant” (as opposed to insignificant, or of little relevance). For example, an exposed wire near a fuel tank can be seen as a material hazard.
- *Timely manner*: The Committee perceived this term to usually mean “at the appropriate time”. For example, a vacation leave request, entered in the University’s computerized leave management system after the actual vacation period, cannot be seen as having been filed in a timely manner.
- *Unit*. The Committee perceived this term’s meaning in the self-certification document as that of a “budgetary unit”. For example, an academic department is a unit, and so is a college. A research group, made up of three faculty members who are housed in an academic department, is not a unit in the sense employed in the self-certification document.
- *Internal controls*. The Committee perceived this term (used in item 10 of the self-certification document) to refer to the internal controls that each unit will have to establish that so its unit head can complete and sign the self-certification document. For example, one internal control related to item 5 of the self-certification document (which refers to major assets) could be a check, conducted every semester, of the equipment held by faculty and staff of an academic unit against the equipment inventory maintained for that unit.

At the end of the meeting, the Committee agreed on a final version of the self-certification document.

**November 22-December 1, 2005:
Final Review of Self-Certification Document and Report to President Keck**

The Committee Chair shared by e-mail the final version of the self-certification document (attached to this report) with all of the Committee members, as well as a draft version of this report. He asked the Committee members for their change suggestions (if any) to be sent to him by December 1, 2005. A few minor changes suggestions were requested. They were incorporated into this document.

**Final Version of the Self-Certification Document
(Next Page)**

Self-Assessment Certification Form

Unit name: _____

Certification for fiscal year ending: _____

Certified by: _____

Title: _____

Date: _____

To the best of my knowledge, I certify the following regarding the department (or departments) under my management for the fiscal year indicated above. Any exceptions to the individual items below are discussed in the attached "Certification Exceptions" document.

1. Financial and personnel information have been entered in the respective University computer systems as directed and in a timely manner.
2. All contractual obligations have followed the University's policies and procedures for administration of contracts.
3. All contractual obligations or third-party agreements have been properly disclosed.
4. No fraud, or any facts indicating possible fraud, occurred that have not been properly disclosed.
5. All major assets (e.g., equipment, furniture) are accounted for and properly maintained.
6. There has been no unauthorized use of University facilities or assets.
7. No material hazards exist that could lead to personal injury or health problems.
8. No unreported issues exist that could have a material negative financial or public relations impact.
9. There are procedures in place to safeguard financial and personnel records.
10. There are no material deficiencies or weaknesses in the internal controls employed.

Signature: _____

Certification Exceptions

Please discuss below any exceptions to the certification items above. The following rules should be used:

- Ideally, there should be no exceptions. That is, all problems should be resolved prior to the completion and signing of this document. In this case, enter the following text below: “No exceptions.”
- If there are exceptions, enter the certification item number, and follow it with a detailed discussion of the exception, the actions taken to address each exception, and the outcomes of those actions. Example: “5. The laptop assigned to Dr. John Doe at the beginning of the fiscal year is missing, and no theft had been reported to the University Police. A report was filed with the Police on 7/5/2005, and replacement laptop was obtained through SafeGuard Insurance. The replacement laptop was delivered to Dr. John Doe on 9/14/2005, and has been with him since.”
- If necessary, enter more than one exception for each certification item.
- Separate different entries with a blank line.
- Be as detailed as possible in your disclosure of exceptions.

Signature: _____