



Internal Audit Report

Records Management Program

TxDOT Office of Internal Audit

Objective

Evaluate the effectiveness and efficiency of the TxDOT's Records Management Program and its compliance with state legislation.

Opinion

Based on the audit scope areas reviewed, control mechanisms require improvement and only partially address risk factors and exposures considered significant relative to impacting operational execution and regulatory compliance. The organization's system of internal controls requires significant improvement in order to provide reasonable assurance that key goals and objectives will be achieved. Extensive improvements are required to correct control gaps and to address excessive residual risk that may result in potentially significant impacts to the organization including the achievement of the organization's business/control objectives. Progress to address the highest risk areas will likely not be achieved within 6 months.

Overall Engagement Assessment	Needs Improvement
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Findings				
	Title	Control Design	Operating Effectiveness	Rating
Finding 1	Records Management - Program Oversight	X	X	Needs Improvement
Finding 2	Records Management – File Plans		X	Needs Improvement
Finding 3	Records Retention Schedule		X	Needs Improvement

Management concurs with the above findings and prepared management action plans to address deficiencies.

Control Environment

Records management is a decentralized function designed to be performed by the agency's Records Management Officer (RMO), who resides in the Support Services Division. Extensive documented guidance for records maintenance, storage, and destruction of records was developed by the RMO. While compliance with specific requirements is expected, each Division/District/Office (D/D/O) is permitted great flexibility in the maintenance, storage, and destruction of records. The RMO does not actively monitor the D/D/O's compliance with specific records retention and destruction procedures. This has resulted in staff's records management roles and responsibilities not being properly communicated and no active oversight from the D/D/O on records retention.

Summary Results

Finding	Scope Area	Evidence
1	Organizational Structure Records Maintenance and Retention	<p>Staff were unsure of policy and procedures for the general maintenance, retention, and destruction of records based on a sample selection of 5 Divisions/Districts (D/D):</p> <p><u>Records Management Practices:</u></p> <ul style="list-style-type: none"> • 3 of 5 (60%) D/D did not have a process that included a documented approval for records destruction • 5 of 5 (100%) Records Administrators (RAs) did not receive formal training from the Records Management Office, but instead received on-the-job training from their peers • 3 of 5 (60%) RAs contacted had different business titles that were not directly tied with records retention responsibilities • 2 of 5 (40%) RAs did not use the Records Retention Schedule to identify which records should be retained and how long they should be retained • 2 of 5 (40%) RAs did not have a current list of their district records management contacts • 2 of 5 (40%) RAs did not use the Records Management Manual or were not aware that it existed <p><u>Records Management Office Information:</u> 25 of 84 (30%) RAs (primary and back-up) listed as contacts by the Records Management Office were no longer employed or no longer had the responsibility of maintaining records</p> <p><u>Sampling of records:</u> 24 of 256 (9%) requested records were not retained as required by the records retention schedule in 4 Districts and 1 Division:</p> <ul style="list-style-type: none"> • Only 1 of 131 requested records were not retained at the District level; the remaining 23 of 125 were not retained from one Division
2	Organizational Structure Records Maintenance and Retention	<p>File plans (i.e., documents listing where and how long records should be retained) reviewed noted the following:</p> <ul style="list-style-type: none"> • 2 of 15 (13%) D/D did not have file plans <ul style="list-style-type: none"> ○ Of the 13 D/D who had files plans, 12 of 13 (93%) had multiple file plans with different formats being used

		<ul style="list-style-type: none"> • Of the 182 files plans reviewed: <ul style="list-style-type: none"> ○ 46 of 182 (25%) did not reflect a retention period ○ 13 of 182 (7%) did not reflect a record location ○ 5 of 182 (3%) did not reflect the file title
3	<p>Organizational Structure</p> <p>Records Maintenance and Retention</p>	<p>The Records Retention Schedule for the Finance Division’s Payments Management Section needs to be updated:</p> <ul style="list-style-type: none"> • 3 of 16 (19%) record types listed in the FIN record retention schedule (e.g., 941 reports, Dart Reports, and TexFlex Monthly reports) are not maintained in accordance to the records retention schedule • 2 of 16 (13%) record types listed in the FIN record retention schedule (e.g., check register and personnel analysis report) are no longer maintained by the Payments Management Section • 23 of 125 (18%) requested records from FIN were not retained as required by the records retention schedule

Audit Scope

The audit focused on the organizational structure of records management at TxDOT, and the review of file plans. Fieldwork, including the review of file plans, was conducted in the Fort Worth, Houston, San Angelo, and Yoakum districts, and in the Finance Division. In additional testing, only file plans were reviewed for the Beaumont, Bryan, Childress, Dallas, El Paso, Pharr, San Antonio, and Waco districts, and for the Construction and Environmental Divisions. No other fieldwork was conducted in these additional locations.

The audit was performed by Letta Hinton, Anuradha Masand, Augustine Nwoko, and Karin Faltynek (Engagement Lead). The audit was conducted during the period from January 13, 2014 to March 21, 2014.

Methodology

The methodologies used to complete the objectives of this audit included:

- Reviewing Texas Government and Administrative Codes along with TxDOT policies and procedures
- Reviewing overall records management practices at 4 Districts and 1 Division
- Reviewing only file plans at an additional 12 Districts and 3 Divisions
- Surveying Record Administrators throughout the agency
- Testing record availability
- Interviewing key personnel, such as the TxDOT Records Management Officer and Records Administrators

Background

This report is prepared for the Texas Transportation Commission, TxDOT Administration and Management. The report presents the results of the Records Management Program Audit which was conducted as part of the Fiscal Year 2014 Audit Plan.

Management of records ensures appropriate access, retrieval, use, and timely destruction of records. The Texas Government Code stipulates that the head of each state agency (i.e., executive director) shall establish and maintain a records management program on a continuing and active basis and shall identify and take adequate steps to protect confidential and vital state records.

The Texas Government Code further requires that each agency must have a Records Management Officer (RMO) who reports to the agency head or a person with a title functionally equivalent to deputy executive director (Note: the eligibility requirement for the RMO position was created by HB1085, and it applies only to a person appointed as the RMO on or after September 1, 1999). Currently, TxDOT's RMO does not report to the agency head or designee as required. According to the Government Code, the responsibilities of the RMO include administering the records management program and distributing information to agency employees about records management laws and agency policies and procedures. The RMO must ensure that agency employees receive adequate records management training, and the RMO has to participate in activities to make staff aware of records management. In addition, the RMO is responsible for obtaining approval of the department's records retention schedule from the Texas State Library (TSL).

The records retention schedule lists general records that the department must maintain, and the time period those records must be retained. At a minimum, TxDOT must retain records for the time period defined by the Texas State Records Retention Schedule (TSRRS). Divisions, Districts, and Offices use file plans to identify records which must be kept locally and to specify their storage locations and retention periods.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* and in conformance with the *International Standards for the Professional Practice of Internal Auditing*. 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. Recommendations to mitigate risks identified were provided to management during the engagement to assist in the formulation of the management action plans included in this report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Internal Audit transitioned to Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework version 2013 in December 2013.

A defined set of control objectives was utilized to focus on operational and compliance goals for the identified scope areas. Our audit opinion is an assessment of the health of the overall control environment based on (1) the effectiveness of the enterprise risk management activities throughout the audit period and (2) the degree to which the defined control objectives were being met. Our audit opinion is not a guarantee against operational sub-optimization or non-compliance particularly in areas not included in the scope of this audit.

Detailed Findings and Management Action Plans (MAP)**Finding No. 1: Records Management - Program Oversight****Condition**

The Records Management Office/Officer (RMO) has developed and updated records management guidance; however, the RMO has not monitored the implementation of this guidance across TxDOT. In addition, effective communication and training has not occurred with Division, District, Office records management personnel to promote an understanding of correct maintenance, retention, and destruction of records.

Effect/Potential Impact

- Inappropriate record access
- Inability of record retrieval and use
- Untimely record destruction
- Ineffective business continuity

Criteria

The Texas Government Code states that the agency head shall establish and maintain a records management program on a continuing and active basis; stipulates that the head of each state agency (i.e., executive director) shall establish and maintain a records management program on a continuing and active basis and shall identify and take adequate steps to protect confidential and vital state records. To ensure that records are adequately maintained, the agency shall appoint a RMO who communicates expectations for records retention in policies and procedures in accordance with the approved records retention schedule.

Cause

The RMO considers its role to be that of only maintaining and publishing the records retention schedule, updating TxDOT retention records policy and procedures, and providing no active compliance monitoring of Division, District, Office (D/D/O) records management and retention. The RMO noted that it is the responsibility of each D/D/O to ensure conformance with the records retention schedule through a records administrator position that could help provide implementation, guidance, and monitoring of policy and procedures.

In addition, the job responsibilities and duties outlined for the TxDOT RMO position do not accurately reflect the proper oversight requirements to ensure that the records management and retention program is in compliance with the approved records retention schedule. The job responsibilities and duties of the RMO do not include monitoring or administering of the program to ensure the program objectives are being met.

Evidence

Fieldwork included reviewing records management practices and records. Audit fieldwork to support this finding was completed in 4 Districts and 1 Division. The evidence obtained in the review is as follows:

Records Management Practices:

- 3 of 5 (60%) Division/District did not have a process that included a documented approval for records destruction
- 5 of 5 (100%) Records Administrators (RAs) did not receive formal training from the Records Management Office, but instead received on-the-job training
- 3 of 5 (60%) RAs contacted had different business titles that were not directly tied with records retention responsibilities
- 2 of 5 (40%) RAs did not use the Records Retention Schedule to identify which records should be retained and how long they should be retained
- 2 of 5 (40%) RAs did not have a current list of their District records management contacts
- 2 of 5 (40%) RAs did not use the Records Management Manual or were not aware that it existed

Records Management Office Information:

- 25 of 84 (30%) RAs (primary and back-up) listed as contacts by the Records Management Office were no longer employed or no longer had the responsibility of maintaining records
- The RMO currently reports to the Support Services Division Director and is not considered a director level position

Sampling of Records:

- 24 of 256 (9%) requested records were not retained as required by the records retention schedule from 4 Districts and 1 Division:
 - Only 1 of 131 requested records were not retained at the District level; the remaining 23 of 125 were not retained from one Division

Survey:

Fieldwork testing included a state-wide survey of RAs that supported the testing results noted above.

Management Action Plan (MAP):**MAP Owner(s):**

Andrew Chavez - Director, Support Services Division

Susan Tutt - Director, Online Information Services Section

Thomas J. MacMorran - Program Specialist, Records Management Officer

MAP 1.1:

The Support Services Division will address the conditions in the Findings by performing the following:

- Identify and document required records management procedures that must be performed by all Division/District/Offices (D/D/O)
- Identify and document the resource requirements necessary to oversee and monitor the procedures in the D/D/O
- Survey D/D/O Records Administrators to identify and prioritize training needs
- Identify current D/D/O Records Administrators and maintain an up-to-date list

- Develop and conduct training for Record Administrators regarding the Records Management Program
- Conduct quarterly meetings with Records Administrators and custodians to discuss records management policies, procedures, and best practices
- Develop basic training for TxDOT employees regarding record retention and litigation hold. At a minimum, training will be conducted on an annual basis or as needed
- Develop and conduct train-the-trainer for D/D/O Records Administrators on the following:
 - TxDOT records management program
 - Roles and responsibilities
 - Understanding and using the records retention schedule
 - How to implement and maintain the file plan
 - Monitoring, reporting, and certification process to provide accountability and to ensure program compliance
 - Conducting and documenting records destruction procedures on the Form 1420, Records Destruction Log
- Ensure the D/D/O Record Administrators conduct training for the record custodians and necessary employees annually or as needed. Records Administrators will submit roster of attendance for employees attending training
- Revise program information on the records management Crossroads site to reflect program changes
- Publish revised Records Management Manual incorporating changes in records management program policies and procedures

Completion Date:

December 15, 2014

MAP Owners:

Andrew Chavez - Director, Support Services Division

Lauren Garduno - Chief Procurement and Deputy Administrative Officer

MAP 1.2:

- Meet with Human Resources Division to review existing Job Classification for the Record Management Officer and review requirements of Government Code 441.184 to determine correct classification and recommend proper organizational placement. Contact other state agencies regarding Records Management Officer and placement in the organization
- Draft and submit for signature an executive communication describing and directing changes in records management program structure, policies, and procedures

Completion Date:

October 15, 2014

Finding No. 2: Records Management – File Plans**Condition**

File plans tested had inconsistent and/or missing information and they were not up-to-date with record information. File plans are documents listing which records are required to be maintained locally, where the records are to be stored, and how long they should be retained. Examples of missing key information: record type retained, record retention period, record location, or record media (e.g., electronic or hard copy).

Not all records (e.g. financial records) were located, even though they were required to be retained. Documentation of approval of records destruction was also not consistently maintained.

Effect/Potential Impact

- Without a file plan that accurately reflects the record location, record retention period, and record type, reliable retention and availability of records cannot be guaranteed
- Record copy destruction is not consistently documented, and it cannot be assured that records were destroyed in accordance with the records retention schedule requirements
- The use of variant file plan templates inhibits business continuity

Criteria

The Texas Government Code states that the agency head shall establish and maintain a records management program on a continuing and active basis; stipulates that the head of each state agency (i.e., executive director) shall establish and maintain a records management program on a continuing and active basis and shall identify and take adequate steps to protect confidential and vital state records. To ensure that records are adequately maintained, the agency should monitor how records are retained and destroyed in accordance with policy and procedures. In addition, current TxDOT records management procedures include file plans and require approval before records are destroyed.

Cause

District/Division/Office compliance with records management guidance and use of recommended tools is not monitored by the Records Management Office (RMO). As a result, these policies and procedures are seen as general guidelines instead of mandated policy.

Evidence

Fieldwork included reviewing files plans in 12 Districts and 3 Divisions. A total of 182 plans were reviewed:

- 2 of 15 (13 %) D/D did not have file plans (FIN and HOU)
 - Of the 13 D/D who had files plans, 12 of 13 (93%) had multiple file plans with different formats being used
- 46 of 182 (25%) file plans did not reflect a retention period
- 13 of 182 file plans (7%) did not reflect a record location
- 5 of 182 (3%) file plans did not reflect the file title

Survey:

Fieldwork testing included a state-wide survey of RAs that supported the testing results noted above.

Management Action Plan (MAP):**MAP Owners:**

Andrew Chavez - Director, Support Services Division

Susan Tutt - Director, Online Information Services Section

Thomas J. MacMorran - Program Specialist, Records Management Officer

MAP 2.1:

- Develop a standardized office file plan format and content to be implemented.
- Develop a monitoring, reporting, and certification process to ensure D/D/O are:
 - Reviewing, updating, and maintaining current file plans
 - Retaining records as required by the records retention schedule
 - Following procedures to document authorization of the destruction of records that have met the retention requirement.

Completion Date:

December 15, 2014

Finding No. 3: Records Retention Schedule**Condition**

The TxDOT Records Retention Schedule for the Finance Division's (FIN) Payments Management Section needs to be updated. Some records listed on the Records Retention Schedule are no longer maintained or have been kept longer than intended.

Effect/Potential Impact

The FIN Payments Management Section is not in compliance with the approved records retention schedule.

Criteria

The Texas Government Code requires each agency to have a records retention schedule that identifies the records that will be kept and specifies how long they will be retained. Records can be kept longer than specified by the schedule; however, the best practice is to document this decision and to assign a new retention period to those records.

Cause

FIN management did not coordinate with the TxDOT Records Management Officer (RMO) on all changes to the required retention of the Payments Management Section records. In addition, the TxDOT RMO did not verify that Finance's records retention schedule was up-to-date and accurate.

Records in the FIN Imaging System that had met their required retention time were to be automatically flagged for deletion; however, the most recent upgrade of the imaging system no longer included this automated feature in the licensing agreement.

Evidence

The evidence obtained in the review included:

- 3 of 16 (19%) record types listed in the FIN record retention schedule (e.g., 941 reports, Dart Reports, and TexFlex Monthly reports) are not maintained in accordance to the records retention schedule.
- 2 of 16 (13%) record types listed in the FIN record retention schedule (check register and personnel analysis report) are no longer maintained by the payments management section
- 23 of 125 (18%) requested FIN records were not retained as required by the records retention schedule

Management Action Plan (MAP):**MAP Owner(s):**

Cynthia Ochoa, Executive Assistant - FIN Records Administrator

Mack Ballenger, Business Analyst - FIN Imaging Coordinator

MAP 3.1:

Will meet with all data owners (Records Custodians) in the Finance Division and confirm what should and should not be on retention schedule for the Payments Management Section.

MAP 3.2:

Based on MAP 1.1, we will work with the current Records Management Officer to change/update the retention schedule for the Payments Management Section.

Completion Date:

December 15, 2014

MAP Owner:

Mack Ballenger, Business Analyst -FIN Imaging Coordinator

MAP 3.3:

Based on MAP 3.1, will delete older records and fill out appropriate records retention form(s) and submit to FIN Records Administrator for review. Going forward, this process will be performed every 6 months

Completion Date:

December 15, 2014

MAP Owner:

Thomas J. MacMorran, Program Specialist, Records Management Officer

MAP 3.4:

Consult with FIN and enter FIN records retention schedule changes/updates into an amendment to the TxDOT Records Retention Schedule to be submitted to the Texas State Library for approval.

Completion Date:

December 15, 2014

Observations and Recommendations (if applicable)**Observation (a):** Records Management - Litigation Hold Process

Inconsistent procedures and practices were identified based on request and review of records subject to litigation holds by the Office of General Counsel. No evidence to support inappropriate destruction or alteration of documents was identified.

Effect/Potential Impact

Improper storage of records subject to litigation holds could lead to premature destruction or accidental alteration of records, resulting in the potential for legal liabilities.

Audit Recommendation

The Office of Internal Audit recommends the following:

- The Office of General Counsel and the Records Management Office should work together to provide training to the agency on record retention expectations related to litigation holds.
- The Office of General Counsel should clarify litigation hold records management expectations to ensure alignment between policy and practices.

Summary Results Based on Enterprise Risk Management Framework

Audit Results Dashboard			
Records Management Program Audit			
Business Objectives (Reporting, Operational, Compliance)		Scope Areas Evaluated	
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ERM Component	Control Activities	Organizational Structure	Records Maintenance and Retention
Control Environment	Organizational Tone		
	Planning	1	2, 3
	Forecasting		
	Goal-Setting		
	Cost-Benefit Analysis		
Risk Assessment	Business Continuity		
	Evaluations/Analysis		2,3
	Management Action Plans		
Control Activities	Policies/Procedure Development & Maintenance	1, 2, 3	1,2,3,(a)
	Approvals/Authorizations	1	
	Supporting Evidence/Records Availability		1, 2, 3
	Segregation of Duties		
	Safeguarding Assets	1, 2	1, 2
Information & Communication	Information Classification	2	
	Information Input		2
	Information Processing		
	Output/Reporting and Messaging		
Monitoring	Exception Reporting Review		
	Reconciliations/Root-Cause Analysis		1,2
	Peer Reviews		
	Management Representations		
Scope Area Assessment			

Rating Assessment Grid	Exemplary	Satisfactory	Needs Improvement	Unsatisfactory
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Closing Comments

The results of this audit were discussed with Records Management Office, the Office of General Counsel, the Finance Division, and the Districts included in fieldwork. We also appreciate the assistance and cooperation received from the Support Services Division during this audit.