

State Auditor's Office

Lawrence F. Alwin, CPA
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A Follow-Up Audit Report on Management Controls at Texas A&M University

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Members of the Legislative Audit Committee:

Texas A&M University (University) has resolved construction contract and human resources issues identified in our November 1996 audit (SAO Report No. 97-012). The previous audit indicated that the University did not have adequate business systems in these areas to ensure that the services it paid for met expectations. Improvements in these areas now help the University evaluate the services it receives:

- The University has implemented a process to ensure that construction problems noted during the final inspection are resolved before final payment. This process helps protect the University's investment in construction, which totaled \$3.8 million in contracts awarded in fiscal year 1998. The 1996 audit identified three construction projects totaling \$716,000 that did not have evidence that the results of the final inspections were resolved prior to final payment.
- The University now has stronger policies and procedures governing performance evaluations for its approximately 4,900 full-time non-faculty employees. Of the employees who received pay increases in fiscal year 1999, all of those tested had a current evaluation on file. Performance evaluations allow management to assess the quality of its employees' work. The University spent \$311 million (48 percent of its total current fund expenditures) on its employees in fiscal year 1998. The 1996 audit revealed that 53 percent of employees tested received pay increases without documented evaluations.

Management concurs with this report. Our work also identified opportunities for improvement; a separate letter to the University contains those recommendations and management's responses.

In addition to our follow-up work, we also tested the University's compliance with formula funding guidelines as required by the General Appropriations Act, Article III-233, Section 19. Our testing did not identify any over-funding of semester credit hours at the University.

We commend the University's progress toward correcting prior audit issues. Copies of this letter report have been sent to the President, Chancellor, Board Chair and Members, and Internal Auditors of the University and the Texas A&M University System.

We also appreciate the cooperation of management and staff during this review. Please contact Valerie Hill, Audit Manager, at (512) 479-4700 if you have any questions.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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Objective, Scope, and Methodology

The audit was conducted in accordance with *Government Auditing Standards*. The purpose of this audit was to follow up on the University's progress in correcting problems in contract administration and human resources. The scope included verification of the progress made in these areas. The scope of our audit also included a review of the accountability systems for student fees, Available University Funds, and financial and non-financial monitoring but did not include detailed test work in these areas. The methodology used included interviews of key personnel, reviews of pertinent documents, and testing transactions and processes.

An additional objective was to audit the accuracy of semester credit hour data used for funding. The methodology for this objective included testing of enrollment data reported to the Higher Education Coordinating Board.

SAO Report No. 00-003