

**February 2000 Follow-Up Report on Rider 5:  
Texas Southern University Accountability Systems**

March 29, 2000

Members of the Legislative Audit Committee:

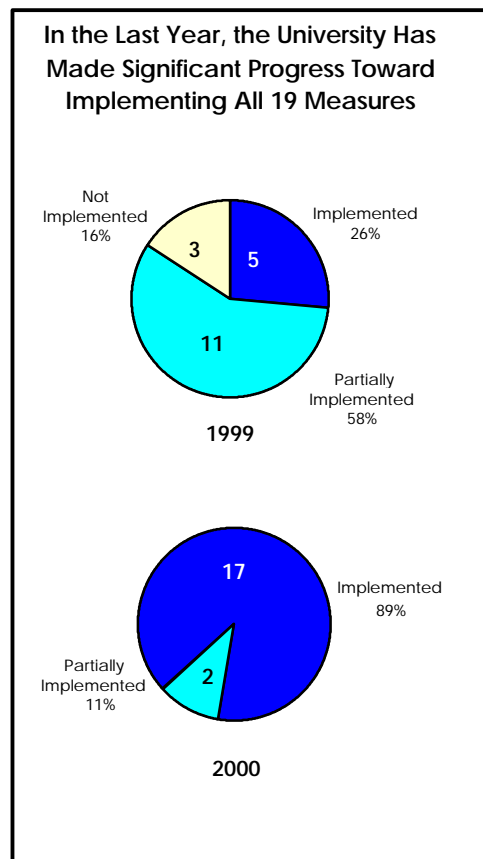
Since its change in leadership one year ago, Texas Southern University (University) has significantly improved operations and enhanced service to students and staff. The University has achieved 17 of the 19 performance measures set in conjunction with the State Auditor's Office in 1997. It has made progress on the two remaining measures.

One of the remaining measures involves the University's Annual Financial Report. Our limited review concluded that the University's revised *1999 Annual Financial Report* was accurate. However, this was due in part to assistance provided by the State Auditor's Office which resulted in significant revisions to the primary financial statements in the original report.

The other remaining measure involves updating policies and procedures for Student Financial Aid. A completed manual was provided to us after audit fieldwork. The U.S. Department of Education recently requested a copy of the new manual for review.

Improvements at the University in the past year contributed to the following successes:

- Fall 1999 enrollment increased by 3.3 percent.
- Student financial aid was distributed in a more timely manner.
- Twelve of 13 executive team positions were filled.
- The finance and student financial aid modules of the automated Banner System were implemented.



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March 29, 2000  
Page 2

Reviews by other oversight bodies, including the U.S. Department of Education and the State Comptroller's Office, have confirmed the University's improvements in their respective areas of monitoring.

Cooperation from University management and staff is appreciated as we monitor progress in critical functional areas. We will work with the University to define measures for continued monitoring.

The attachments to this report include a list of the measures and the President's response. We will also provide University management with a letter detailing assessments of each measure. Copies of that letter are available by calling (512) 479-4740. If you have any other questions, please contact Kelton Green, Project Manager, or Carol Noble, Audit Manager, at (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

mjlw

Attachment

cc: Members, Texas Southern University  
Board of Regents  
Dr. Priscilla D. Slade, President  
Mr. Terry Holderman, Director of Internal Audit

# Attachment 1

The State Auditor’s Office, in consultation with Texas Southern University (University), developed the set of 19 performance measures below in 1997. These measures defined what “expected performance” for specific critical functions would look like when achieved.

Table 1

Measure	Implemented as of February	
	1999	2000
<b>Finance and Accounting</b>		
1. Texas Southern University’s (University) Annual Financial Report Tested for Material Weaknesses and Corrected for Fiscal Year 1999. Validate Material Items for Financial Statement Reliability, Including Cash, Accounts Receivable, Accounts Payable, Payroll, and Grants and Contracts.  <b>Status:</b> In contrast with prior years the University had improved AFR preparation processes. Management provided support for account variances. In addition, we were able to trace reported amounts to the University’s trial balance. Based on our limited review, we concluded that the University’s revised Annual Financial Report was accurate. However, assistance provided by the State Auditor’s Office resulted in significant revisions to bond-related and fund balance line items in the original report. Although asset, liability, and fund balance totals were correct, certain line items in the original AFR reflected inaccurate information.	No	Partially (progress made)
2. Cash Flow Projected From September 1, 1999, Through August 31, 2000.	Partially	Yes
3. Financial Systems Implemented and Functioning. <sup>1</sup>	Partially	Yes
4. Policy and Procedures Manual Current for all Financial and Administrative Functions, Including Banner System Modules.	Partially	Yes
<b>Human Resources</b>		
5. University Hires Chief Operating Officer and Internal Audit Director Via Board-Approved Process.	Yes	Yes
6. Effective Immediately, All Executive Team Positions Filled by University Administration Comply with Written Selection Process, to Include Selections Committee Composed of Internal and External Parties, Regional and National Search.	Partially	Yes
7. Human Resources Management Systems Developed.	Partially	Yes
<b>Management Information Systems</b>		
8. Completed and Updated Biennial Operating Plan Provided to Department of Information Resources.	Yes	Yes
9. Banner System Finance and Student Financial Aid (SFA) Modules On Line, Tested, and Implemented.	Yes	Yes
10. Banner System Training Completed by All Appropriate Staff Currently Using Banner System Modules, Including Finance and Accounting, and Financial Aid.	Partially	Yes

<sup>1</sup> The title of this measure has been reworded from “Banner System’s Financial Module Implemented and Functioning” in the previous report.

Table 1 (Continued)

Measure	Implemented as of February	
	1999	2000
<b>Planning and Communications</b>		
11. Outcome Measures Developed for Administrative Departmental Operations.	Yes	Yes
<b>Student Financial Aid</b>		
12. Key Positions Filled with Experienced and Qualified Personnel.	Partially	Yes
13. Policies and Procedures Developed and in Use That Ensure Consistent Practices for Administering and Processing Student Financial Aid.  <b>Status:</b> The University's updated Student Financial Aid manual was completed after our audit fieldwork, and therefore was not reviewed in detail. The U.S. Department of Education recently requested a copy of the new manual for review.	Partially	Partially (progress made)
14. Reimbursement Process Developed and Implemented Which Ensures Timely and Accurate Submissions of Reimbursement Requests.	No	Yes
15. Establish System of Communications Between Departments Responsible for Student Financial Aid.	Partially	Yes
16. Resolve Agreed-Upon Outstanding Audit Issues Identified by State Auditor's Office During November 1997 Follow-Up.	No	Yes
17. Resolve Outstanding Program Review Issues Identified by the Department of Education as Agreed to in the Settlement Agreement.	Partially	Yes
<b>Management Oversight Systems and Controls</b>		
18. Establish and Maintain a System for Executive Management to Use in Setting Goals, Objectives, and Priorities for the University and Monitoring the University's Performance.	Yes	Yes
19. Establish and Maintain a Formal System for Providing Accurate and Timely Financial and Performance Information to the Board of Regents.	Partially	Yes

## Objective and Scope

The objective of this project was to report on the results of the University's implementation and maintenance of systems and controls over finance and accounting, human resources, management information systems, planning and communications, and student financial aid (Rider 5, Article III-128, General Appropriations Act, 76th Legislature).

In addition to reviewing progress on the 19 measures, we reviewed approximately one-half of 124 recommendations made by the State Comptroller's Office in February 1999. This review focused on higher-risk Comptroller recommendations and those which were directly related to the 19 performance measures. We provided informal feedback on the results of this review to the State Comptroller.

# Management's Response



**TEXAS SOUTHERN UNIVERSITY**  
3100 CLEBURNE AVENUE • HOUSTON, TEXAS 77004

(713) 313-7036

OFFICE OF THE PRESIDENT  
OFFICE: 713-313-7036; TELEFAX: 713-313-1092

March 23, 2000

Mr. Lawrence F. Alwin, CPA  
State Auditor  
P.O. Box 2067  
Austin, Texas 78701-2067

Dear Mr. Alwin:

Texas Southern University (University) has significantly improved operations and enhanced service to students and staff since the issuance of the last report by the State Auditor's Office in February 1999. The University is in good health as evidenced by the achievement of 17 of the 19 performance measures. Substantial progress has been made on the two remaining measures.

One of the remaining measures involved the University's Annual Financial Report. Although our original *1999 Annual Financial Report* required some changes on the primary exhibits, overall it was materially correct. Review procedures have been implemented to ensure the accuracy of all future Annual Financial Reports.

The other partially implemented measure involved updating policies and procedures for Student Financial Aid. A completed policies and procedures manual has been forwarded to the U.S. Department of Education. A copy was provided to the State Auditor's Office after audit fieldwork. The policies and procedures contained in this manual are currently in use by financial aid personnel.

On behalf of the Texas Southern University family, I extend appreciation for the assistance provided by you and your staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Priscilla D. Slade".

Priscilla D. Slade, Ph.D.  
President, Texas Southern University

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ATTACHMENT