

# Key Points of Report

## An Audit Report on Management Controls at The University of Texas at San Antonio

---

February 1998

### Overall Assessment

Adequate controls relating to policy, performance, and resource management exist at The University of Texas at San Antonio (University). However, controls over certain operational areas need improvement to increase accountability.

The University is currently experiencing a transitional growth period due to the expansion of facilities and programs and the opening of the new downtown campus. Given that risks generally increase during times of growth and change in operations, the objectives of this project were to examine and assess the University's key management control systems.

### Key Facts and Findings

- The Small Business Development Center Program leveraged \$752,563 in state-appropriated funds to obtain \$1,998,168 in matching dollars and services that promote the creation, growth, and expansion of small businesses in South Texas.
- Controls over operations require more attention from management. There are inadequate controls to ensure student incidental fees are appropriately used. Controls over \$55.7 million in inventory do not function effectively, and inventory information often cannot be relied upon.
- Controls over human resource management need to be coordinated and updated. The Human Resources Department was unaware that certain of its functions were performed by another University office. Employee evaluations are not monitored to ensure they are performed consistently and in a timely manner. The University does not have a current American with Disabilities Act Policy. Of the University's Current Funds expenditures of \$101.8 million, \$52.8 million was spent on salaries and benefits in fiscal year 1996.
- Formula funding testing of compliance with state laws and Texas Higher Education Coordinating Board rules did not identify any over-funding of semester credit hours at the University. Formula appropriations for the University for the 1998-1999 biennium totaled \$92,188,649.

### Contact

Carol A. Smith, CPA, Audit Manager (512) 479-4700



## Office of the State Auditor

Lawrence F. Alwin, CPA

---

*This audit was conducted in accordance with Government Code, Section 321.013(c).*

# Table of Contents

Executive Summary .....	1
Overall Assessment .....	3
State Money Appropriated to the Small Business Development Center Program Is Providing Benefits to South Texas and the Border Region .....	3
Controls and Policies Over Operations Require More Attention From University Management .....	6
Reevaluate the University's Use of Student Incidental Fees .....	6
Implement Effective Inventory Controls .....	7
Minimize Risks to the Fiscal Services Office Operations .....	9
Improve Management of Accounts Receivable .....	10
Enhance Efficiency and Effectiveness in the Student Financial Aid Office .....	12
Update Controls Over Human Resource Management .....	13
The University of Texas at San Antonio Is in Compliance With Formula Funding .....	15
The University's Procedures Comply With Historically Underutilized Business Requirements; the University Has Achieved Some But Not All Participation Goals .....	15
<b>Appendices</b>	
1 - Management Control Audit Objectives, Scope, and Methodology .....	17
2 - Background Information .....	19
3 - Formula Funding Objectives, Scope and Methodology .....	20

## Executive Summary

**A**dequate controls relating to policy, performance, and resource management exist at The University of Texas at San Antonio (University). However, controls over certain operational areas need improvement to increase accountability.

The University is currently experiencing a transitional growth period due to expansion of facilities and programs and the opening of the new downtown campus.

### **State Money Appropriated for the Small Business Development Center Is Providing Economic Benefits to South Texas and the Border Region**

The Small Business Development Center (SBDC) Program leveraged \$752,563 in state-appropriated funds to obtain \$1,998,168 in matching dollars and services that promote the creation, growth, and expansion of small businesses in South Texas.

In addition, management controls over the SBDC Offices appear to be adequate and functioning effectively.

### **Controls and Policies Over Operations Require More Attention From Management**

- There are inadequate controls to ensure that incidental fee monies, which can be collected and distributed only for restricted expenditures, are appropriately used.

- Controls over \$55.7 million in inventory do not function effectively, and inventory information often cannot be relied upon. As a result, there is an increased risk that inventory could be lost.
- Improvements are also needed in the Fiscal Services Office, accounts receivable management, and the Student Financial Aid Office.

### **Update Controls Over Human Resource Management**

The Human Resources Department was unaware that certain of its functions were performed by another University office. Employee evaluations are not monitored to ensure they are performed consistently and in a timely manner. The University does not have a current American with Disabilities Act policy. Of the University's Current Funds expenditures of \$101.8 million, \$52.8 million was spent on salaries and benefits in fiscal year 1996.

### **The University of Texas at San Antonio Is in Compliance With Formula Funding**

Formula funding testing of compliance with state laws and Texas Higher Education Coordinating Board rules did not identify any over-funding of semester credit hours at the University. Formula appropriations for the University for the 1998-1999 biennium totaled \$92,188,649.

## Executive Summary

### Summary of Management Responses

University management generally agrees with the findings noted in this report. The University responses include actions it will initiate in order to implement the recommendations.

### Summary of Management Control Audit Objectives, Scope, and Methodology

The primary objectives of the audit were to examine and assess the University's key management control systems and identify opportunities for improvement.

The audit scope and methodology included an evaluation of these systems as they relate to:

- The Small Business Development Center Program
- Revenue and expenditures associated with incidental fees
- Capital inventory
- Policies and procedures associated with the Human Resources Department, the Fiscal Services Office, and accounts receivable management
- Automation and performance feedback in the Financial Aid Department

In order to accomplish our objectives, we conducted interviews, performed data analyses, and examined physical evidence and other documentation.

## Overall Assessment

Adequate controls relating to policy, performance, and resource management exist at The University of Texas at San Antonio (University). However, controls over certain operational areas need improvement to increase accountability.

The University is currently experiencing a transitional growth period due to the expansion of facilities and programs and the opening of the new downtown campus. Given that risks generally increase during times of growth and change in operations, the objectives of this project were to examine and assess the University's key management control systems.

Section 1:

### **State Money Appropriated to the Small Business Development Center Program Is Providing Benefits to South Texas and the Border Region**

The Small Business Development Center (SBDC) Program is managed by the University to achieve the results expected by the Legislature. It leveraged \$752,563 in state-appropriated funds to obtain \$1,998,168 in federal and local matching dollars. The SBDC Program provides services that effectively promote the creation, growth, and expansion of small businesses in South Texas and the border region.

We determined that:

- The Regional SBDC Office (Regional Office) delivers some services through 11 local (Local Offices) and 1 international office. Each Local Office is positioned as the focal point for small business development activities in its community.
- The University obtained local and federal monies by leveraging state-appropriated funds. The 74th Legislature appropriated \$752,563 for each year in the 1996-1997 biennium for the SBDC Program. This appropriation was contingent upon the University's success in obtaining matching funds. The University obtained \$1,370,625 in federal money and \$627,543 in local money for 1996. (See Table 1.)
- Results expected from funded activities were clearly established. A cooperative agreement between the Regional Office at the University and the U.S. Small Business Administration Office (SBA) governs the activities of the SBDC Program. The expectations and reporting requirements outlined in this agreement are clear and explicit.

Table 1

Federal and Local Matching Funds Obtained in 1996		
Type of Office	Name of Office	Matching Funds <sup>1</sup>
Regional	The University of Texas at San Antonio	\$ 112,013
Local	The University of Texas at San Antonio	78,019
	El Paso Community College	216,200
	The University of Texas - Pan American	126,849
	University of Houston/Victoria	242,697
	Laredo Development Foundation	109,350
	Greater Corpus Christi Business Alliance	159,317
	Angelo State University	194,283
	Lower Colorado River Authority	263,756
	Kingsville Chamber of Commerce	98,436
	Middle Rio Grande Development Council	141,335
	Sul Ross State University/Big Bend Area	190,913
International	The University of Texas at San Antonio International Trade Center	65,000
	<b>Total Matching Funds</b>	<b>\$ 1,998,168</b>

<sup>1</sup>Includes SBA matching funds of \$1,370,625.

Source: Planned Milestone Accomplishment Report

- An agreement is in place between each Local Office and the Regional Office. These agreements mirror the contract between the Regional Office and the SBA. Thus, the expectations and reporting requirements for the Local Offices are also clear and explicit.
- Management controls over the funds of the Regional Office appear to be adequate and functioning effectively:
  - Expenditures appear to be appropriate and in accordance with stated guidelines.
  - Policies and procedures exist for key management areas. The Regional Office updates and distributes a standard operating procedures manual annually. The manual provides guidance on planning, budgeting, policies and procedures, and human resource management.

- Local Offices are reviewed on a regular basis. The SBA in San Antonio reviews the performance of each Local Office at least annually.
- Achievement of expected results is monitored. Local Offices are required to provide services, such as counseling, training, and loans, to small businesses annually. (See Table 2 for 1996 results.)

Table 2

1996 SBDC Results For South Texas					
SBDC Office	Number of Clients	Number of Businesses	Percentage Served	Total Loans Funded	Average Loan Amount
The University of Texas at San Antonio	8,083	28,339	28.5%	\$ 74,573,322	\$215,530
El Paso Community College	1,567	10,051	15.6%	20,232,273	124,124
The University of Texas - Pan American	2,021	11,483	17.6%	15,149,150	172,149
University of Houston/Victoria	867	5,980	14.5%	5,804,550	193,485
Laredo Development Foundation	1,324	3,634	36.4%	3,385,625	141,068
Greater Corpus Christi Business Alliance	1,515	7,487	20.2%	7,342,592	149,849
Angelo State University	1,101	3,552	31.0%	6,322,414	234,163
Lower Colorado River Authority	2,188	23,172	9.4%	83,623,451	236,894
Kingsville Chamber of Commerce	402	1,997	20.1%	1,026,000	256,500
Middle Rio Grande Development Council	571	2,679	21.3%	376,600	47,075
Sul Ross State University - Big Bend Area	399	1,395	28.6%	3,129,480	193,485
<b>Total UTSA Regional Results</b>	<b>20,038</b>	<b>99,769</b>	<b>20.1%</b>	<b>\$220,965,457</b>	<b>\$198,889</b>

- Information on expected results is continually communicated between the Regional Office and the Local Offices as follows:

- The Regional Office annually updates and distributes a standard operating procedures manual. The directors of the Local Offices are involved in continually revising this manual.
- Annual reports from the Regional Office are based on quarterly reports submitted by the Local Offices. Staff members in the Regional Office review the quarterly reports in order to develop the information they need.

Section 2:

## Controls and Policies Over Operations Require More Attention From University Management

Section 2-A:

### Reevaluate the University's Use of Student Incidental Fees

Approximately 4 percent, or \$4,662, of \$128,474 in Incidental Fee expenditures tested may not be appropriate. There are inadequate controls to ensure that Incidental Fees, which can only be collected and distributed for restricted uses, are appropriately used. Unallowable expenditures such as reimbursements for refreshments, decorations, and imprinted balloons for soccer goals were identified in our test. The Internal Audit Department previously reported these same control weaknesses. As of June 30, 1997, students paid an average of \$309 in Incidental Fees.

There are no indications that the departments verify the appropriate use of fees. Voucher approvals for fee expenditures do not verify the appropriateness of the disbursement. The Accounting Department limits its review of fees to unauthorized food purchases.

#### Recommendations:

The University should strengthen its controls by:

- Clarifying what is appropriate by providing the various departments with a detailed list of allowable expenditures.
- Emphasizing the review of expenditures for proper use of fee income at the department level. Certification that the expenditure is appropriate should be part of the voucher approval process.



Management's Response:

*Out of the \$4,662 identified as errors, 5 items amounting to approximately \$3,500 were from Library Book Fines. Although a very strict interpretation of our definition would not allow these expenditures, in practice UTSA has used the Library Book Fines to pay for furniture and fixtures to be used within the Library which constitutes the bulk of the audit exceptions for the Library Book Fine. Since we believe these expenditures to be fully appropriate for use by the Library Book Fine, we have asked for approval (and have received tentative agreement) from UT System to change the description to include such items.*

*In order to improve controls, we will initiate formal budget reviews for incidental fees with the student fee advisory committee and all departments which have been authorized incidental fees. A detailed budget will be requested from each department and reviewed by the Budget Office. The internal audit department will conduct annual audits on these fee accounts as requested by UT System Administration. An orientation meeting will be held with the departments authorized to collect incidental fees, which will explain the importance of expending these funds within the guidelines approved by System Administration in their incidental fee application. It will be stressed that individuals approving disbursement vouchers and purchase requisitions within the departments are certifying to the appropriateness of the transaction.*

Section 2-B:

### **Implement Effective Inventory Controls**

Management controls over inventory valued at \$55.7 million are ineffective, and inventory information often cannot be relied upon. In general, control of inventory is a low priority, especially at the department level. As a result, there is an increased risk that inventory could be lost.

We noted a variety of weaknesses in the design and implementation of inventory controls. These weaknesses include the following:

- Equipment does not always have a property tag number.
- Newly purchased equipment is not always tagged promptly.
- Equipment is checked out without proper authorization.
- Inventory is missing and cannot be located.
- Monthly inventories at randomly selected departments have not been performed since December 1996, although they are required by University policy.

We also noted a number of problems with the reliability of information reported by the University on its equipment inventory. Examples of the problems include:

- Reports of missing inventory are not always accurate. We were able to locate three of four items in the Engineering Division that were listed as missing (75 percent). This raises a question as to whether the 484 items (with a net value of \$1.16 million) that the University reported as missing in fiscal year 1996 are actually missing or just misplaced. More than half of these items (248 of 484) belonged to the Engineering Division.
- The University's annual inventory is probably overstated. The University completed an annual inventory on June 30, 1997. The inventory counted 11,102 pieces of property valued at \$55.7 million. However, this count probably included items that were obsolete or worthless. For example, our test of inventory counts against Engineering Division property indicated that 7.2 percent of the items counted were actually obsolete or worthless but were still valued at acquisition cost on the records.
- Missing or stolen property reports are not filed with the State Auditor's Office. We identified three property deletion requests that were not forwarded to the State Auditor's Office within 24 hours as required by law. The requests were more than 180 days old. In addition, the deletions were not reported to the State Property Accounting System. The *State Property Accounting Manual* requires property deletions to be reported to this system in a timely manner.

Recommendations:

The University's *Information Handbook for Departmental Administration of University Property* provides adequate guidance for control and administration of equipment and other capital inventory. The University, especially the Property Manager, should ensure that these policies and procedures are followed. In addition, the University should take the following steps to improve its controls over inventory by ensuring that:

- Missing or stolen property reports are completed and submitted to the State Auditor's Office promptly.
- State Property Accounting System deletion requests are processed in a timely manner.
- Report of Transfer of Equipment forms are completed for property that becomes worn out, damaged beyond economical repair, or obsolete in order to correctly reflect the inventory and its value. Department heads should then transfer the property to Surplus Property.

- Department heads are responsible for the accuracy of the inventory records. The records should, at a minimum, include a list of items assigned to the department and copies of removal requests and transfer reports.
- Property removed from campus is only checked out for a period not to exceed one year. Every year, an updated form should be submitted to the department and to the Inventory Division.
- There is a sufficient number of staff members to meet all reporting requirements and to safeguard assets.

Management Response:

*The University agrees with each of the recommendations concerning inventory controls. The Accounting Office and the Office of Financial Affairs are currently filling a recently approved Inventory Supervisor to oversee the Accounting Clerk II position. A properly staffed inventory section will allow the University to meet each of the recommendations:*

- *Missing or stolen property reports will be completed and submitted promptly.*
- *Deletion requests will be processed timely on the State Property Accounting System.*
- *An analysis of inventory will be performed each year. A request will be made of all departments to review their inventory listings for items that should be transferred to surplus and removed from the University's inventory value.*
- *During the monthly inventories of randomly selected departments, the inventory records of the department will also be reviewed for completeness.*
- *As a part of the departmental annual inventories, all property removal forms will be required to be updated and copies submitted to the inventory section of the accounting office.*

Section 2-C:

### **Minimize Risks to the Fiscal Services Office Operations**

Management has realigned the duties and responsibilities of the Fiscal Services Office. Additional steps are necessary to minimize operational risks. For example:

- Policies and procedures are not finalized. The Fiscal Services Office only has a draft policies and procedures manual. Documented policies and procedures promote consistent operations, even in times of change.
- Duties are not adequately segregated. The Bursar continues to perform inappropriate duties, such as cashier, during certain periods. The University's Internal Audit Department previously reported that the Fiscal Services Office duties are not adequately segregated. Segregating duties helps minimize risk by preventing any individual employee from executing a transaction from start to finish.

Recommendation:

Produce a formalized policies and procedures manual addressing internal and external management processes, the segregation of duty assignments, and other pertinent operational guidelines.

Management Response:

*Staffing constraints in the Fiscal Services Office will continue to impede the desired segregation of duties in this office. A solution to the control issue, will be to require that at anytime the Financial Services Officer (Bursar) is required to function as a cashier, the balance reports of the Financial Services Officer will be reviewed and signed off by the Business Manager.*

Section 2-D:

### **Improve Management of Accounts Receivable**

The University can improve management of accounts receivable. Accounts receivable consists of Federal Accounts Receivables, such as funds due from Grants and Contracts, and Other Accounts Receivables, which includes money owed by students and non-federal grant sponsors (also known as third-party receivables). As of August 31, 1996, the University reported \$4.7 million in accounts receivables.

We noted the following problems with the management of accounts receivable:

- Computer systems in place at the University do not promote the effective management of accounts receivable:
  - The University uses one computer system for accounting information and a separate system for student information. The two systems cannot communicate in order to transfer data or otherwise interact. As a result,

the Accounting Department cannot use automated techniques to monitor third-party receivables.

- The computer system used by the Fiscal Services Office cannot produce standardized accounts receivable formats that are needed to “age” receivables. As a result, delinquent accounts cannot be readily detected.
- The computer system used by the Fiscal Services Office cannot identify all three Summer semesters. This requires the manual preparation of an accounts receivable list to track student receivables created during the Summer semesters.
- The Accounting Department does not have documented, current policies and procedures for accounts receivable. The Accounting Department does have a draft manual that is approximately 75 percent complete. However, the draft does not contain a section on managing accounts receivable. Documented procedures may help avoid the types of accounting errors that were noted in the 1996 annual financial report.
- Installment note collection procedures may not adequately safeguard State’s resources. While the University requires all students on installment loans to sign promissory notes, the University is not taking adequate measures to ensure collection of full tuition. The only recourse used by the University for defaults on installment loans is to place the student on permanent hold. This prevents the student from registering at the University until the loan is paid. No other collection efforts are made, and the student can register at another institution.

Recommendation:

Management should determine whether efficiencies are gained if the accounting and student information systems are interactive. Management should also consider further use of automation to:

- Identify student receivables for all three summer semesters
- Produce standardized accounts receivable formats to analyze delinquent accounts.

In addition, the University’s Accounting Department should produce a formal policies and procedures manual that includes accounts receivable administration. The University should evaluate its collection procedures to ensure all efforts are made to collect student receivables.

Management Response:

*The current student records system does not allow for the separation of all three summer semester or for standardized formats for analyzing delinquent account. UTSA is currently making changes to the Student Records System. These inefficiencies will be addressed with the Steering Committee for the Student Records System and prioritized.*

*The Business Manager will assume the responsibility for completing the policies and procedures manual for the Fiscal Services Office. The Business Manager working in conjunction with both Financial Services officers will complete this manual with the assistance of the consultant presently working on other Business Affairs procedures manuals.*

*We are currently negotiating a collection contract for student accounts receivable.*

Section 2-E:

**Enhance Efficiency and Effectiveness in the Student Financial Aid Office**

The Student Financial Aid Office (Office) at the University can enhance its efficiency and effectiveness. We identified many strengths in the Office's operations during our audit; however, we also found that inadequate information systems have led to inefficient procedures and poor customer service.

For the 1997 Summer and Fall semesters, the Office processed 6,160 student files requesting financial aid. The Student Financial Aid Office has done a number of things to promote efficient and effective operations. Good practices noted during our review included the following:

- The Office is moving towards a paperless system. Documents are scanned, and student files are kept electronically.
- Policies and procedures are updated every year. These updates are based, in part, on the *Federal Student Financial Aid Handbook* provided by the U.S. Department of Education. This handbook helps to promote compliance with federal requirements
- Recommendations from a prior State Auditor's Office review have been properly addressed.

The Office could enhance its efficiency by correcting an automated calculation. Presently, the Office spends a significant amount of time manually recalculating student financial aid awards generated by its automated system because 15 percent of the awards contained errors. Office management estimates that this manual verification increases the time to process each file by about ten minutes. Based on 1997 workload, this manual verification would amount to 1,027 hours, or approximately one-half of a full-time equivalent employee.

The Office could also enhance its effectiveness by improving customer service. Student survey cards gathered during the December 1996 and May 1997 registration periods indicated that initial student financial aid contacts were not very courteous and did not provide useful information to students.

Less-than-desirable customer service may be caused, in part, by turnover. Of the 27 employees in the Office, only five (18.5 percent) have three or more years of experience. Because of high turnover, employees are in a constant state of training. This turnover and low level of knowledge could contribute to both employee stress and problems with the usefulness of information provided to students.

Recommendation:

The University should correct the automation problem responsible for the 15 percent error rate in the awards processed. The University should use student survey card information to enhance customer service.

Management Response:

*The Financial Aid Office has submitted an inter-office report to the Office of Information Technology outlining specific automation issues. Programming needs that address the 15 percent error rate in the processing of awards are at the top of the list. The Associate Vice President for Information Technology has also placed these needs high in the priority list and programmers are already working on many of these projects. Estimated time of completion for these projects is end of February, 1998.*

*A student survey card is already in use. To improve on student feedback, the survey card is in the process of being re-designed to give students the opportunity to comment on more specific employees and/or parts of the process that need to be enhanced.*

Section 3:

## Update Controls Over Human Resource Management

Controls over the human resource management function need to be coordinated and updated. The University employs approximately 2,000 individuals and spends \$52.8 million, or 52 percent of total Current Funds expenditures, on their salaries and benefits.

The University's human resources handbook did not have a current policy on the Americans with Disabilities Act, and the Human Resource Department did not monitor employee evaluation to make sure that they were performed in a timely and consistent manner.

In addition, the Human Resource Department was unaware that certain human resource functions, such as monitoring employee grievances and updating job descriptions for nonclassified job positions, were being performed by a different office within the University.

### Recommendation:

The University should update its human resource handbook to include policies on administering the provisions for the Americans with Disabilities Act. In addition, the Human Resources Department should:

- Revise and update the entire human resource handbook.
- Monitor evaluations to ensure that they are consistent and completed in a timely manner.
- Monitor employee grievances to identify trends and issues that might affect the University.
- Keep track of job descriptions for all staff members, including nonclassified positions.



Management Response:

*The University has developed an ADA, "University Policy Concerning Persons with Disabilities," policy which has been submitted to the UT System for final approval and implementation. In addition, the University continues to comply with regulations for ADA with the Office of Human Resources serving as liaison for providing resources to faculty, students and staff on reasonable accommodation.*

*The Human Resource Handbook currently titled, Policies and Rules to Appointment, Compensation and Working Conditions of Non-Faculty Employees, will be revised. As a beginning point, staff are developing a step-by-step reference for Human Resources and other administrative functions that will also serve as an internal training guide for all University staff and provide the foundation for an on-line electronic guide.*

*The Human Resources Department has recently undergone a detailed internal and external process review. A process proposal will be presented as part of the task force's findings to establish a mechanism to centrally monitor evaluations to ensure that they are consistent and completed in a timely manner. This is currently a decentralized process. Training is provided on a semi-annual basis on employee performance evaluations issues and procedures. Human Resources has a decentralized approach to this activity.*

*University policy on grievances of non-faculty employees does not require Human Resources to be included in the grievance process. However, Human Resources and the Problem Solving/Conflict Resolution Office are sometimes contacted informally regarding employee grievances. Both offices maintain files and capture data when such contact occurs. The UTSA Handbook of Operating Procedures, Chapter 3.4, will be amended for Human Resources to monitor grievances using a database and other appropriate tools.*

*Job descriptions for nonclassified positions exist within the Office of the Vice President for Administration and Planning. With the reassignment of duties of that office and the merging of human resources responsibilities, job descriptions for all staff members, including nonclassified position will be housed in Human Resources.*

Section 4:

## The University of Texas at San Antonio Is in Compliance With Formula Funding

Formula funding testing of compliance with state laws and Texas Higher Education Coordinating Board rules did not identify any over-funding of semester credit hours at the University. Formula appropriations for the University for the 1998-1999 biennium totaled \$92,188,649. During testing, no over-reporting of semester credit hours and no errors outside the sample were identified by the University. (See Appendix 3 for more detail on Formula Funding Objective, Scope, and Methodology.)

Section 5:

## The University's Procedures Comply With Historically Underutilized Business Requirements; the University Has Achieved Some But Not All Participation Goals

The University has made a good-faith effort to achieve its Historically Underutilized Business (HUB) vendor participation goals. The University takes a serious approach to HUB participation and included HUB goals in its strategic plan. In fact, the University was recognized twice by the General Services Commission as one of the top ten state agencies with the highest level of HUB participation.

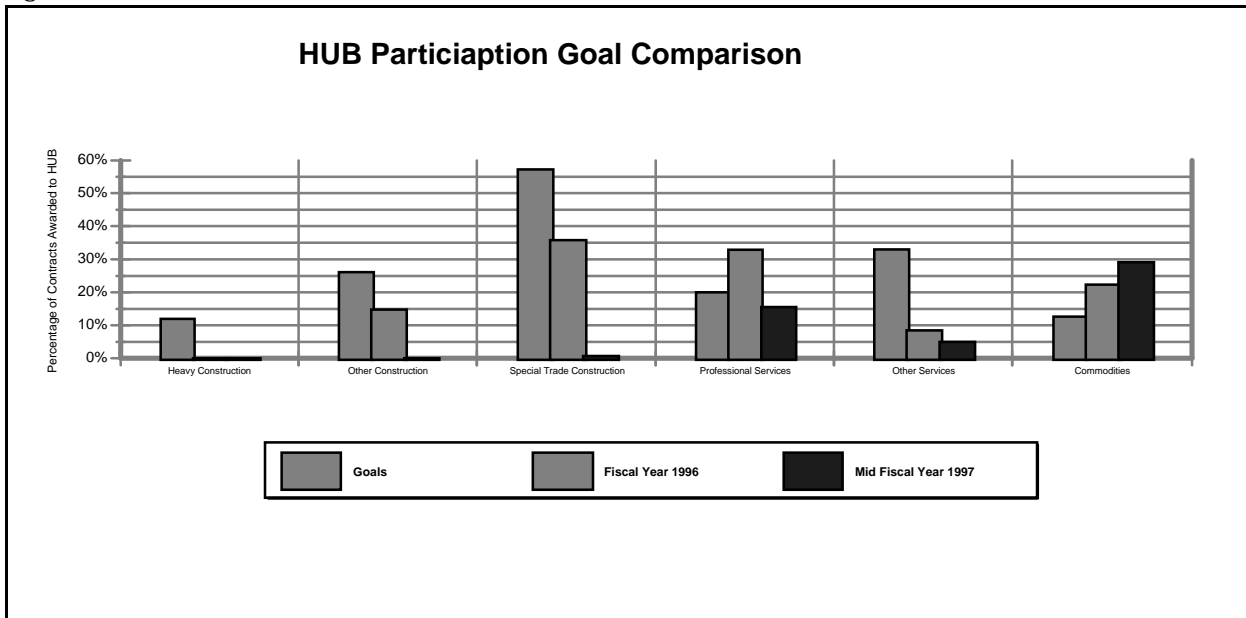
However, the University did not meet all HUB usage goals for fiscal year 1996 and the semi-annual 1997 period. (See Figure 3 for more information about HUB participation goals and actual results.) The range of the University's success in HUB participation varies as follows:

- The University's best results for actual participation were in the Professional Services category, where 32.94 percent of the contracts were awarded to HUBs. The University exceeded the General Services Commission's goal for this category by 12.9 percent.
- The University's lowest results for actual participation was in the Other Services category, where 8.39 percent of the contracts were awarded to HUBs. This was 24.6 percent less than the General Services Commission's established goal.

The University's HUB coordinator cited several reasons for not achieving its participation goals. These reasons included the following:

- There were no purchases or services required from certain target areas, like construction.
- Awards are given to the lowest bidder, and HUB vendors do not always submit the lowest bid.
- HUB vendors do not exist for certain specialized commodities, like buses.

Figure 3



Sources: Texas HUB Semiannual Report for first six months of fiscal year 1997  
 HUB Program Performance Report for Period September 1, 1995, through August 31, 1996

## Management Control Audit Objectives, Scope, and Methodology

### Objectives

The objectives of the Management Control Audit were to examine and assess the key management control systems of the University. In addition, we followed up on management's progress in addressing issues previously identified by the State Auditor's Office in the 1990 and 1995 Statewide Financial Audit Management Letters.

### Scope

In performing the audit, we evaluated:

- Resource management systems as they relate to revenue and expenditures of incidental fees
- Resource management over capital inventory
- Information management with respect to automation and performance feedback of the Student Financial Aid Office
- Policy management systems, specifically policies and procedures over human resources, the Fiscal Services Office, and accounts receivable management
- Accuracy of selected variables for formula funding computation
- Performance management systems over Historically Underutilized Business participation goals
- The Small Business Development Center Program

### Methodology

The audit methodology consisted of data analyses, review of prior year working papers, interviews with University staff, review of physical evidence, and other appropriate documentation to support our conclusions. An overall assessment of the control system was performed in an effort to evaluate and determine if appropriate controls were in place.

Tests were performed in selected areas to determine if controls were operating as described and to evaluate them against established criteria. This let us determine the controls' adequacy and identify opportunities for improvement. Where possible, we relied on the work of the University's Internal Auditor and on the work of The University of Texas System auditors.

The following criteria were used to evaluate the control systems:

- Statutory requirements
- Federal program requirements
- The University of Texas System's policies and procedures
- The University of Texas at San Antonio's policies and procedures
- *A Guide to Assessing Risk in Key Accountability Control Systems*, developed by the State Auditor's Office

#### **Other Information**

Fieldwork was conducted from August 1997 through October 1997. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

The following members of the State Auditor's Office performed the audit work:

- Shea Soria, CPA (Project Manager)
- J. Michelle Cook, CPA
- Stephen D. Croan, CPA
- Michelle A. Duncan
- Carol A. Smith, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

## Background Information

The University of Texas at San Antonio is a comprehensive state university created in 1969 by a mandate from the 61st Legislature. The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University currently offers a wide range of academic programs leading to bachelor's and master's degrees as well as a doctoral degree programs in Neurobiology and Computer Science. It seeks to offer other appropriate doctoral programs in selected fields.

### **The University of Texas at San Antonio Opens Its Second Campus**

Most recently, the University has opened a new downtown campus. This is a major undertaking which will make the University more visible and have a positive effect on its enrollment by making it more accessible to the community. While the campus has opened, there is still construction in progress. The downtown campus will ultimately support three major structures. The University is currently setting up the business aspects of this location.

### **Financial Information**

The University of Texas at San Antonio reported revenues and other additions of \$164,319,906 and \$142,770,919 in expenditures and other deductions for fiscal year 1996. Educational and General state support appropriated to the University for fiscal years 1996 and 1997 were \$54,665,180 and \$56,316,891 respectively. For the 1998-1999 biennium, appropriations have increased to \$66,756,556 and 69,520,104 respectively. The increase is attributed to Education and General state support for the new downtown campus.

## Formula Funding Objectives, Scope, and Methodology

### Objectives

The primary objectives of formula funding audits are to:

- Audit the accuracy of the variables in selected formulas used in calculating formula funding appropriations.
- Report differences between university records and data submitted by the universities to the Higher Education Coordinating Board.
- Determine the accuracy of fiscal year education and general revenues reported in the universities' Requests for Legislative Appropriations.

### Scope

The scope of formula testing focuses on the accuracy of variables of selected funding formulas. Funding formulas are used to allocate appropriations to the University. There are four funding formulas, each driven by variable data reported by the University.

Two formulas were selected for the audit: (1) the instructions and operations formula and (2) the teaching experience supplement. Statewide, these two formulas account for 78.40 percent of the \$2.9 billion funding by formulas during the 1998-1999 biennium. At the University these two formulas account for 77.93 percent of the \$92,188,649 funding by formulas during the 1998-1999 biennium.

Semester credit hours is the only variable for each selected formula and is reported to the Higher Education Coordinating Board in the CBM-004 Class Report and CBM-001 Student Report. Audit procedures concentrate on testing accuracy of student classification, collection of tuition, compliance with the Texas Academic Skills Program (TASP) requirements, and class size reporting. Verifying these items allows the State Auditor's Office to attest to the accuracy of reported semester credit hours. Test work is concentrated on the base period semesters used to calculate funding for the 1998-1999 biennium which includes the Summer 1996, Fall 1996, and Spring 1997 semesters.

## Methodology

The formula funding audit methodology includes:

- Using attribute sampling methodology to test the accuracy of the semester credit hours used in calculating appropriations
- Reviewing self-reported corrections provided by the University and calculating the dollar impact on appropriations
- Reviewing University documentation supporting amounts included in its request for legislative appropriations



This page intentionally left blank.