



OFFICE OF THE STATE AUDITOR

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LAWRENCE F. ALWIN, CPA
State Auditor

July 8, 1998

Members of the Legislative Audit Committee:

Tarleton State University (University) has business systems in place to ensure resources are spent appropriately. Minor issues in information management, service department operations, and the Office of Human Resources were identified during the audit. Additionally, our review noted specific strengths that enhance the University's efficiency and effectiveness of operations.

Summary of Strengths

- The University's Office of Student Financial Aid (Office) processes over 90 percent of all student aid within the first two weeks of classes. The Office also provides University management with accurate and timely information on student aid processing throughout the entire registration process, which supports effective monitoring. Additionally, the University draws down federal financial aid funds prior to distribution to students. As a result, the University does not have to use its funds for student aid while awaiting reimbursement from the U.S. Department of Education.
- The University's strategic planning process is well organized and communicated effectively. Its strategic plan is linked to information in the Automated Budget Evaluation System for Texas, which helps ensure the University is heading in the right direction.
- The University effectively manages its property and equipment. We were able to account for 99 percent of the 460 items reviewed. This business system helps protect the University's property and equipment from loss, theft, or misuse.

Summary of Issues

- The University should improve management over service department operations. Three service departments lost a total of \$177,964 in fiscal years 1996 and 1997. These service departments did not charge user departments enough to recover all fixed and variable costs. By not allocating all costs associated with providing the goods and services, the actual operating costs for these user departments were understated. Additionally, the University had to cover the losses from other sources.

Service department managers should restructure their prices for goods or services so they at least recover all costs associated with them. Additionally, if costs from the private

sector are lower, management should consider obtaining these goods and services from private sector vendors.

Three other departments were incorrectly classified as service departments, which resulted in operating losses for these departments. The University had to transfer funds to cover the deficits. University management should reclassify these departments and allocate sufficient budgets to cover expenditures.

- **The Office of Human Resources should improve records maintenance to comply with Texas A&M University System (A&M System) policies.** The Position Analysis Questionnaire, a survey used to define job responsibilities, is required to be updated annually. Of the questionnaires tested, 78 percent were not updated on time. We determined that 22 percent of non-classified and 11 percent of classified job positions did not have questionnaires updated within the past three years. Current and accurate Position Analysis Questionnaires provide useful information for compensation, performance evaluations, and compliance with state and federal regulations.

Additionally, the Office of Human Resources should develop procedures to ensure that adequate support for employee ratings is included in all employee evaluations, as required by A&M System policies. Not all of the employee evaluation forms we reviewed contained additional comments or supporting documentation for employee ratings. Without documented and reliable employee evaluations, human resource decisions (promotions, terminations, and pay increases) may not be supported, and employee development may be affected.

The importance of accurate human resource records is underscored by the large amounts of expenditures for education and general salaries and wages. In fiscal year 1997, these expenditures totaled \$15.6 million, or 64.8 percent of the University's current fund expenditures for education and general salaries and wages.

- **The University should update the disaster recovery plan for information systems.** While the University has developed a disaster recovery plan for its information systems, the plan is deficient in certain areas. A disaster recovery plan outlines steps to secure or recover information when a catastrophe prevents normal operations. The University's plan does not include detailed steps, nor does it require periodic tests to verify that it will work. The plan is out-of-date with regards to the University's current mainframe system, and the documented cost analysis and replacement values used in the plan are not current. Lastly, all data processing personnel are not adequately informed of the specifics of the plan.

Information systems are critical components in the efficient and effective operations of virtually all University operations. A current, accurate, and complete disaster recovery plan is essential to maintain University operations in the event of a disaster.

The University should update its disaster recovery plan to ensure that it (1) is complete and (2) contains accurate information about its current mainframe system. Additionally, all applicable data processing personnel should be adequately informed of the plan in order to execute it in the event of a disaster.

- **The University should reconcile to state property accounting records.** The University has not reconciled its internal property accounting records with the State Property Accounting System (System) on a quarterly basis as required by state statutes.

By not reconciling to state property records, users of the System may not have correct information with which to make accurate decisions. The University should begin reconciling accounting records on a quarterly basis to ensure that accurate information is available to System users.

Summary of Other Audit Work

In addition to the management control audit, we performed other audit work as follows:

- **The University is in compliance with formula funding guidelines.** Our testing for compliance with state laws and Texas Higher Education Coordinating Board rules did not identify any over-funding of semester credit hours. Formula funding appropriations for the 1998-1999 biennium are \$39,465,115.
- **The University appears to be making a good-faith effort to use Historically Underutilized Business (HUB) vendors.** However, we documented three instances of noncompliance with statutory requirements. The University should develop procedures to ensure compliance with all HUB Program requirements. Total certified HUB expenditures for fiscal year 1997 were \$758,851.

Objectives and Scope

The objectives of this audit were to (1) assess whether the University has effective business systems in place, and (2) identify opportunities for improving its business systems. The audits were conducted in accordance with Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards.

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Summary of Management's Responses

The University has responded positively to our recommendations and has either implemented or is in the process of implementing our recommendations. Detailed responses are attached.

We appreciate the cooperation of the University's management and employees during this audit. You can direct questions regarding this report to Valerie D. Hill, MBA, Audit Manager, (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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attachment (Management's Responses)

cc: Dr. Dennis P. McCabe, President, Tarleton State University