



## OFFICE OF THE STATE AUDITOR

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LAWRENCE F. ALWIN, CPA  
State Auditor

August 24, 1998

RE: An Audit Report on Management  
Controls at Texas Woman's University

Members of the Legislative Audit Committee:

In our review of business processes at Texas Woman's University (University), we identified no mission-critical problems. We did, however, find areas that management should address. Improvements in the areas below can help management maintain an environment that protects state resources and helps it achieve its goals:

- Internal Financial Reporting - Management and the Board of Regents do not have all the necessary information to make well-informed financial decisions. Financial operations have not been run as effectively as possible due to the lack of timely, reliable information. For example, computer use fee revenues were not all spent as collected due to insufficient information about the fees. Approximately \$2.0 million of \$5.4 million in Computer Use Fee revenues collected since 1992 was not used by the end of fiscal year 1997. However, the University reports it spent \$11.8 million from other revenues for computing-related purposes over the same period.
- Student Loans - Management does not actively manage the \$4.8 million in student loans owed to the University. This increases the risk of not maximizing the collection of these funds, which are a source of loans to future students.
- HUB Program Requirements - The University has not complied with the letter or the spirit of all Historically Underutilized Business (HUB) requirements. Marketing and outreach efforts are not sufficient. Also, no one is formally responsible for HUB coordination on campus, and written policies and procedures do not exist.
- Personnel Processes - Improvements are needed in planning for long-term staffing needs, monitoring personnel files, and other areas. Personnel expenditures totaled \$45.2 million in fiscal year 1997.

Additionally, we found the University is accurate in reporting formula-funding information for the 1998-1999 biennium base year.

We appreciate the University's cooperation during the project. The University generally agrees with the findings noted above and has already initiated improvements in several areas. For example, the University has engaged a consultant to help remedy the HUB deficiencies. More information about the areas noted above is attached. We have provided the University with detailed findings and recommendations for these and other issues, which are available from our Office upon request.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

ggh/attachment

## Improve Fiscal Controls

During the course of our audit, we discovered or were informed by management of several weaknesses, including:

- Internal management reports showing results of operations, budget-to-actual, and other data essential to making informed decisions are currently too labor-intensive to produce in a timely manner. This reduces the ability of executive management and the Board of Regents to make informed financial decisions. For example, computer use fee revenues were not all spent as collected due to insufficient information about the fees. Approximately \$2.0 million of \$5.4 million in Computer Use Fee revenues collected since 1992 was not used by the end of fiscal year 1997. However, the University reports it spent \$11.8 million from other revenues for computing-related purposes over the same period.
- Controls are not sufficient to effectively manage student loans and ensure they are reported properly. Management does not conduct ongoing analysis necessary to monitor, collect, and report loans. Also, written policies and procedures do not exist to ensure employees are performing their duties as management intends. According to the fiscal year *1997 Annual Financial Report*, student loans totaled \$4.8 million.

## Comply With Historically Underutilized Business Program Requirements

The University has not complied with the letter or the spirit of all Historically Underutilized Business (HUB) program requirements. For example:

- No one is formally designated as HUB coordinator. Therefore, no one has taken full responsibility for ensuring the University complies with HUB requirements.
- Overall, there are insufficient marketing and outreach efforts within the Purchasing Department and Physical Plant Department to attract HUB participants.
- There are no written policies and procedures to ensure compliance with HUB requirements.

## Improve Personnel Processes

Personnel processes could be improved by:

- Planning for long-term staffing needs
- Maintaining files with appropriate information to support hiring decisions.

- Monitoring the performance appraisal process to ensure it supports compensation, placement, promotion, and development decisions

## Other Audit Information

The University is accurate in reporting formula funding information for the 1998-99 biennium base year. Formula funding appropriations for the University for the 1998-99 biennium totaled \$86.6 million.

### Summary of Recommendations and Management's Responses

Management generally concurs with the findings in this report. We made specific recommendations to strengthen existing processes or to develop new processes as needed. Management had already taken steps prior to our audit to improve the financial reporting system and expects to complete improvements by April 1999. For the remaining issues, management has already taken steps to address our recommendations and has set target dates for completion of its corrective action plans.

### Summary of Audit Objective and Scope

The objective of this audit was to identify ways to improve accountability to help University management better protect the State's resources and achieve its goals.

The scope of the audit included consideration of the University's policy and operating environment, its mission, strategic planning and goal setting processes, management of information, and other processes. We also reviewed 1998-1999 base year formula funding data and compliance with HUB program requirements.

### Methodology

The audit methodology consisted of gaining an understanding of each control system. In selected areas, tests were then performed to determine if the control systems were operating as described. Finally, the results were evaluated against established criteria to determine the adequacy of the system and to identify opportunities for improvement.

An understanding of the control systems was gained through interviews with the Board of Regents, management, and staff. Written questionnaires and reviews of University documents were also used to gain an understanding of the control systems in place. Control system testing was conducted by comparing the described and actual processes. The testing methods primarily consisted of document analysis, process and resource observation, and employee interviews.

Fieldwork was conducted from April 1998 through June 1998. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards