



Lawrence F. Alwin, CPA

A Follow-Up Audit on Management Controls at Stephen F. Austin State University

Two Commodore Plaza
206 East Ninth Street, Suite 1900
Austin, Texas 78701

Phone: (512) 479-4700
Fax: (512) 479-4884

October 21, 1998

Members of the Legislative Audit Committee:

Stephen F. Austin State University has implemented, or is on target for implementing, all significant recommendations made by the State Auditor's Office in August 1997. Foremost, the University has corrected a material cash management weakness. Before this weakness was corrected, ineffective monitoring and reconciliation of bank accounts had put the University at risk for financial loss or fraud. This was the most critical problem reported in *An Audit Report on Management Controls at Stephen F. Austin State University* (SAO Report No. 97-082, August 1997).

The University also has made recommended improvements to its Department of Audit Services. Improved communication with and oversight by the Board, as well as the addition of a third auditor, better enable the Department to address risks and bring problems and recommended actions to the attention of the Board in a timely manner.

During the follow-up audit we worked with the University on further refinements to operational policies and procedures. The University continued to make improvements to operational practices, particularly in certain areas of cash management, throughout the course of the audit. On-going communication with management indicates that this valuable work continues.

We commend University management for regularly monitoring progress on implementation of our prior audit recommendations to ensure that actions were taken timely. We appreciate management's cooperation and responsiveness, as well as that of the staff, during this review. We have provided the University with detailed findings and recommendations with which management concurs. The findings are available from our Office upon request. Please contact Carol Noble, Audit Manager, at (512) 479-4700 if you have questions about this letter.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

cbg

cc: Dr. Dan Angel, President
Stephen F. Austin State University

Objective, Scope, and Methodology

The purpose of this audit was to follow-up on the University's progress in correcting weaknesses in high-risk areas identified in a previous audit. The scope included verification of the progress made in the following high-risk issue areas: cash management, internal audit, police department, and human resources. We also discussed prior audit recommendations in other areas with management, but we did not perform detailed test work to validate the status of the progress management reported. We performed our audit work by interviewing key personnel, reviewing documents, and testing transactions and management processes. Our audit work was performed in July and August 1998, and was conducted according to governmental auditing standards.

SAO Report No. 99-008