



Lawrence F. Alwin, CPA
State Auditor

A Legislative Summary Document Regarding Texas Tech University

Contents

Financial Profile

Key Findings from Previous Audits
and Reviews

Performance Management

Quality Assurance Team Reviews

Disaster Preparedness

State Auditor's Observations

Texas Tech University (Texas Tech) develops estimates for its Legislative Appropriations Request (LAR) using the prior year as a baseline. The methods used by Texas Tech should result in an accurate and reliable LAR.

Balances of \$27.7 million in the Higher Education Fund monies for fiscal year 2001 will be transferred to be spent in subsequent years as allowed by the General Appropriations Act and the Texas Constitution, Article VIII, Section 17. Texas Tech has allocated these funds to capital projects currently under development.

Prepared for the 78th Legislature
by the State Auditor's Office

January 2003

SAO No. 03-338

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Texas Tech University

SAO Contact: Ron Franke
(512) 936-9500

Financial Profile

Legislative Appropriations Request Preparation

Texas Tech University (Texas Tech) develops estimates for its Legislative Appropriations Request (LAR) using the prior year as a baseline, with adjustments for actual accounting data and operating budgets. The process of developing Texas Tech's operating budgets used in preparing the LAR estimates involves managers from all segments of Texas Tech.

The basis for estimates in Texas Tech's operating budget is prescribed in Texas Tech's operating policies and includes prior year actual amounts as well as variables such as tuition or fee changes and projected changes in enrollment. Revenue estimation is supported by a formal system of monitoring performance against budget, including detailed monthly reports distributed to departmental management and on-line monitoring capabilities. Texas Tech documents revenue estimation procedures in its policies and procedures manuals.

New initiatives or requests for additional funding for existing initiatives will be reported as Exceptional Items in the 2004–2005 LAR. Texas Tech develops these items through discussions between department heads, deans, the Provost, and vice presidents. After review, the President recommends them to the Texas Tech Board of Regents for approval. Initiatives approved by the Board of Regents are included in the LAR as Exceptional Items.

In 2001, the Comptroller of Public Accounts (Comptroller) authorized the establishment of a Central Services Account in the amount of \$4.48 million for Texas Tech pursuant to Senate Bill 1 (77th Legislature, Article III, Section 6.6b, p 231). The Comptroller also transferred \$20.9 million to the Higher Education Fund in accordance with Senate Bill 1 (77th Legislature, Article III, p. 68) and Texas Education Code, Section 62.021.

Reconciliations to USAS and ABEST

Texas Tech's reconciliation of the amounts recorded in Uniform Statewide Accounting System (USAS) and the Legislative Budget Board's Automated Budget and Evaluation System of Texas (ABEST) appear to be reasonable and reliable. Texas Tech's third quarter fiscal year 2002 reconciliation of USAS to ABEST indicated that expenditures reported in ABEST were understated by \$2 million. According to Texas Tech, this was the result of problems with its Internet connection. USAS data were loaded into ABEST prior to several journal entries being made. Despite the problem with journal entries noted in the reconciliation, Texas Tech's USAS/ABEST reconciliation appears to be timely and adequate.

Expenditures by Category

The following table shows Texas Tech's expenditures by Comptroller of Public Accounts category as reported by Texas Tech in USAS for appropriation years 2000, 2001, and 2002. This data has not been audited. It is provided for informational purposes to show how Texas Tech has spent its funds. We obtained explanations from Texas Tech for fluctuations across years that appeared unusual.

However, the financial information recorded in USAS and presented here includes only expenditures paid from funds held in the State Treasury. These expenditures do not include expenditures paid from funds held locally by Texas Tech. As a result, variances from year to year may reflect internal funding decisions and therefore may not be comparable.

Texas Tech University

SAO Contact: Ron Franke
(512) 936-9500

Expenditures by Comptroller USAS Category Groups			
Comptroller USAS Category Group	Appropriation Year 2000	Appropriation Year 2001	Appropriation Year 2002
Salaries and Wages (Note A)	\$ 117,921,211	\$ 128,933,090	\$ 132,621,853
Employee Benefits (Note A)	14,741,801	14,751,092	14,745,195
Capital Outlay (Note B)	10,659,047	9,994,161	21,261,175
Communications and Utilities (Note C)	7,513,690	720,268	84,674
Other Expenditures	6,606,096	5,584,071	8,925,933
Payment on Principal - Debt Service	3,983,327	4,301,512	2,594,765
Repairs and Maintenance	2,733,730	1,910,287	852,523
Supplies and Materials	2,631,130	1,140,323	382,739
Interest/Prompt Payment Penalties (Note D)	1,755,914	2,541,846	2,389,235
Public Assistance Payments (Note E)	707,731	1,289,432	3,315,649
Travel	624,247	288,899	126,508
Interfund Transfers/Other	617,522	633,274	1,923,833
Rentals and Leases	589,614	165,037	17,734
Printing and Reproduction	288,603	94,781	15,493
Professional Services and Fees	96,500	42,114	16,080
Total Expenditures	\$ 171,470,163	\$ 172,390,187	\$ 189,273,389
Source: USAS - All funds including appropriated, unappropriated, and non-appropriated as of November 30, 2002.			

Note A – Salaries and wages increased 12.5 percent from 2000 to 2002. However, the related employee benefits increased by only 0.02 percent. According to Texas Tech, this occurred because Texas Tech funded more employee benefits locally than it had in prior years.

Note B – The increase in Capital Outlay for 2002 was a result of increased on-campus construction as well as increases in Higher Education Assistance Fund projects.

Note C – Texas Tech used funds held in the State Treasury to pay for telecommunications and utilities in 2000, but in 2001 and 2002 it elected to use local funds.

Note D – For all three years, only \$3,024 represents interest charged as the result of the Prompt Payment Law. The remaining amount represents interest payments on Tuition Revenue Bonds.

Note E – The Public Assistance Payments represent grants awarded to students showing financial need and/or fulfilling other requirements set forth in the TEXAS Grants program, the Fifth Year Accounting Program, and/or the License Plate Scholarship program. Students receiving these awards are pursuing degrees at Texas Tech.

Texas Tech University

SAO Contact: Ron Franke
(512) 936-9500

Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

Ongoing Audit of 10 Agencies' Compliance with Historically Underutilized Business Requirements

The State Auditor's Office will release a report in February 2003 regarding Texas Tech University's compliance with Historically Underutilized Business requirements.

State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001¹

(February 2002)

Special Tests and Provisions - Disbursements To or On Behalf of Students

During the fall semester of 2000, Texas Tech University (Texas Tech) used business days to determine when Stafford Loan funds may be requested and distributed. Texas Tech interpreted the regulations to be relevant to business days rather than calendar days. Management recognized the error in interpretation and corrected it before the beginning of the spring 2001 semester.

Status of Audit Recommendations as of November 30, 2002

KPMG LLP will report on the status of these recommendations in the federal portion of the statewide single audit for fiscal year 2002. This report is expected to be released in Spring 2003.

Performance Management

Performance Indicators Used by Management

Texas Tech University (Texas Tech) has recently gone through an extensive strategic planning process to create a strategic plan that addresses performance of Texas Tech as a whole unit but that also has strategic plans for each unit and area of Texas Tech that directly relate to the university's overall performance measures. This effort was intended to make every unit and department responsible for the achievement of performance goals.

Texas Tech created a Strategic Planning Council that will serve as an oversight and monitoring committee for this effort. The council will annually review the process—including associated costs and benefits—monitor achievement of measure targets, investigate measure deviations, and make recommendations if needed. This council will report directly to the President.

Texas Tech's strategic plan is on the university's Web site. In addition, most of the units' and areas' plans have already been added to their Web sites. All strategic plans have been completed, although not all of them may be currently accessible online.

Estimating Performance Targets

Texas Tech's methods for determining performance measure targets for the key measures in the General Appropriations Act appear to be reasonable. Targets are based on historical data (past performance) and peer-institution performance. Performance was below target in three of nine instances in fiscal year 2000 and in four of nine instances in fiscal year 2001.

¹ Results from only the most recent statewide single audit are included in this Legislative Summary Document. KPMG LLP conducted the federal portion of that audit under contract with the State Auditor's Office. Only excerpts from the KPMG audit report are presented above. For the full text of the KPMG audit report, please see www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345.

Texas Tech University

SAO Contact: Ron Franke
(512) 936-9500

Texas Tech uses a centralized institutional research and information management system to monitor performance for these measures. Reports from the system document performance trends and help individual departments, management, and executive management detect deviations from established targets.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Completed Projects

Quality Assurance Team Annual Report – January 2002

Texas Tech University completed the Telecommunications Infrastructure Fund Grant project at a total cost of \$1,611,864.

Disaster Preparedness

We gathered information from Texas Tech University (Texas Tech) on plans in place to provide continued operations and services in the event of a disaster. Standard audit criteria for disaster preparedness have not been established; therefore, we are not evaluating Texas Tech's plans. Our objective was only to provide the information reported by Texas Tech.

Texas Tech has developed an Emergency Operations Plan (EOP) that provides for the continuity of the education and research programs at Texas Tech in the event of an emergency. Texas Tech indicates that information technologies are addressed by a separate disaster recovery plan.

The EOP is designed to provide flexibility in responding to almost any type of threat or disaster. Texas Tech is presently revising the plan (which was last updated in 1999) to address security issues, including terrorism, identified by the Campus Security Committee. The EOP incorporates 14 individual departmental plans, and all but one were updated in late 2001 or early 2002.

Texas Tech's plan identifies primary and alternative locations for an emergency operations center and assigns tasks and contacts for personnel assigned to manage each center. It also identifies emergency referral centers for coordinating response activities, providing services and resources, and initiating recovery activities for various departments.