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An Audit Report on Rider 5: Texas Southern University's Accountability Systems

September 30, 1998

Members of the Legislative Audit Committee:

Texas Southern University (University) has made some progress towards improving its accountability systems; however, it has not made substantial demonstrable progress to date. While the University began committing considerable resources in February 1998, actions taken have not yet achieved the results or outcomes needed. I continue to have significant concerns with the finance and accounting, human resources, planning and communication, and student financial aid systems. The University has made significant progress in improving its management information systems. As the University continues to invest resources, it should be able to demonstrate substantial demonstrable progress within 90 days.

Significant state resources have been invested to help the University improve its accountability systems. Our office has been continually monitoring and reviewing the University's operations. The Comptroller of Public Accounts (Comptroller) has supported the University by getting resources to assist them in resolving problems. These resources included assistance provided by staff from the Comptroller's office, other state institutions, and contracted professional services from private vendors.

A brief summary of each accountability system is presented below:

Student Financial Aid - The University has not been able to develop and/or maintain an effective financial aid reimbursement process. Only 41 percent of student reimbursements for fall 1997 and spring 1998 were filed with the U.S. Department of Education (DOE) as of July 15, 1998. Our test work on federal student financial aid programs resulted in reissuing six of nine audit findings identified during our November 1997 audit.

Finance and Accounting - The University implemented the automated Banner Finance and Accounting System (Banner System) five months ahead of schedule. Our preliminary review indicates the system is functioning as intended. However, the real test will be whether an accurate and timely Annual Financial Report for fiscal year 1998 can be prepared from this system, and whether financial transactions are booked, accounts reconciled, and reports prepared in a timely and accurate manner.

Human Resources - There continues to be a lack of leadership in the human resources management area and an inadequate recognition of the significance of this function in fixing the problems at the University. At June 12, 1998, the University reported 20 key management positions vacant or held by interim employees.

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Planning and Communications - The University has developed outcome measures for some of its administrative departmental operations. However, a monitoring system has not been developed to ensure that the outcomes and results are used to assess the efficiency and effectiveness of the departments.

Management Information Systems - The University completed its Biennial Operating Plan and is awaiting approval from the Department of Information Resources. The automated information systems for finance and accounting and student financial aid are on-line and appear to be functioning. However, the University needs to develop a formal documented monitoring plan for its Systems & Computer Technology Corporation (SCT) contract (SCT operates the University's automated information systems).

In accordance with Rider 5 (III-124), for Texas Southern University in the General Appropriations Act (75th Legislature), nineteen performance measures were developed to measure substantial demonstrable progress in improvements to the University's accountability systems. We reviewed the University's progress in meeting these performance measures. The results of our review are as follows:

- The University has fully implemented four of the measures.
- The University has partially implemented fourteen of the measures.
- The University has not implemented one of the measures.

The University's response and detailed information on the status of each performance measure is in the attachment. It also includes recommendations on how to fully implement each one. We plan to follow up during the next 90 days to make a final assessment on the University's progress. Substantial demonstrable progress will be achieved if the University fully implements at least 15 of the 19 (80 percent) performance measures. We will consider a performance measure fully implemented if the University completes the specific recommendations for the measure as outlined in the attached table and begins achieving the desired results.

We would like to thank the management and staff of the University for their cooperation during this review. If you have any questions, please contact Cathy Smock, Audit Manager, at 479-4700.

Sincerely,



Lawrence F. Alwin, CPA
State Auditor

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cc: TSU Board Members
Mr. James Douglas, Esq., President
Mr. Marshall McDade, CPA, Internal Audit

Attachment

Objective, Scope, and Methodology

This audit was conducted in accordance with Government Auditing Standards. The objective of our review was to determine if substantial demonstrable progress was made in the University's accountability systems per Rider 5 (III-124) in the General Appropriations Act (75th Legislature).

The scope of our review included a review and analysis of the following University accountability systems:

- Student Financial Aid
- Finance and Accounting
- Human Resources
- Planning and Communication
- Management Information Systems

The methodology used on this audit included system analyses and tests, interviews with management, staff, and third-party vendors; along with a review of pertinent documents, contract deliverables, and performance measures associated with the above-mentioned accountability systems.

Attachment
to
SAO Report No. 99-003

Management's Response 2

Financial and Accounting Measures 3-9

Human Resources Measures 9-13

Management Information Systems Measures 13-15

Planning and Communication Measures 16

Student Financial Aid Measures 16 -20

Management Oversight Systems and Controls
Measures 20 -21

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**Texas Southern University Response to
Performance Measures Audit - Status Report**

Texas Southern University has demonstrated progress towards improving its accountability systems. The University will further demonstrate substantial progress within the next 90 days as it continues to invest the necessary fiscal and human resources.

The University, like the Legislature, recognizes the need for radical change. To address accountability issues within the time frame required, the University must manage change well. Only a real transformation will cure systemic problems. The University is adopting new approaches and installing new technology to prevent the recurrence of past issues.

Like institutions of higher education nationwide, Texas Southern University faces external and internal challenges. Demographic shifts and rapidly changing technology require innovative approaches to improve the delivery of higher education services. While public and private resources are diminishing, demand for accountability from state and federal agencies is increasing. Internally, the University is addressing challenges of financial aid reimbursement, declining enrollment, cash flow, and the delivery of administrative services.

As the details of the State Auditor's Report show, Texas Southern University has committed significant resource' since February to improving accountability systems. At the University's request, the State Comptroller, other state universities, the U. S. Department of Education, and others have provided valuable assistance. The SAO has also provided valuable assistance to the University. University staff will continue to work side-by-side with these entities to reach the desired outcomes within the next 90 days.

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Financial and Accounting (Measures 1 through 4)		Partially Implemented
<p>Measure 1:</p> <p>Texas Southern University's (University) annual financial report tested for material weaknesses and corrected for Fiscal year 1997. Validate material items for Financial Statement reliability, including: Cash, Accounts Receivable, Accounts Payable, Payroll and Grants and Contracts.</p>		
Comment	Recommendation	
<p>Not all material line items in the University's 1997 annual financial report balance sheet could be validated as reasonably accurate. The Comptroller's Performance Review Team tested balance sheet accounts and were unable to support the reliability of the amounts reported for the following accounts:</p> <ul style="list-style-type: none"> • Cash and Temporary Investments (\$2.8 million) • Balance in State Appropriations (\$4.4 million) • Accounts Receivable (\$9.3 million) • Federal Receivable (\$3.3 million) • Accounts Payable (\$3.6 million) • Accrued Liabilities (\$3.8 million) • Deferred Revenue (\$2.2 million) • Accrued Compensable Absences Payable (\$1.2 million) 	<p>The University should research the issues associated with the above-mentioned account balances and take necessary corrective action to resolve these issues before closing out fiscal year 1998 records. This would include making required adjusting entries to the Banner Accounting system and returning any funds to applicable agencies as deemed necessary to comply with federal and state regulations.</p> <p>Additionally, the University's fiscal year ending August 31, 1998 Annual Financial Report (AFR), Exhibits A, B, and C, will be tested to determine the following:</p> <ul style="list-style-type: none"> • If all material line items on these exhibits can be reconciled to their respective accounts in the new Banner Finance and Accounting System without significant adjusting entries needed to the respective Banner accounts. <p>Note: This would not apply to Balance Sheet accounts which require year-end adjustments such as allowance for doubtful accounts, inventories, accrued compensable absences payable.</p> <ul style="list-style-type: none"> • All AFR exhibits and sub-schedules are materially accurate (within 90 percent of correctly determined amounts) both mathematically and with regards to supporting accounts. <p>If the items above are all completed within the 90 percent accuracy limits, and the same issues reported by the Comptroller's Performance Review Team do not recur, this performance measure will be considered fully implemented.</p>	

Measure 2:		Implemented
Cash flow projected from September 1, 1997, through August 31, 1998.		
Review financial processes for Cash, Accounts Receivable, Accounts Payable, Payroll, Budgeting and Grants and Contracts. For the aforementioned, determine deliverables, satisfiers, process flows, policies and procedures.		
Comment	Recommendation	
The University prepared cash flow spreadsheets for fiscal year 1998. The projected cash inflows were accurate to within 98 percent of actual cash inflows. The projected cash outflows were accurate to within 97 percent of actual cash outflows.		
Measure 3:		Partially Implemented
Banner System's Financial Module implemented and functioning.		
<i>Note: For this entire performance measure to be considered implemented, at least 6 of the 9 sections below (sections a through i) must be fully implemented.</i>		
		Partially Implemented
(a) All financial transactions booked timely.		
Comment	Recommendation	
All financial transactions are not being booked timely. Payroll transactions were the only transactions prepared timely. Personnel at KPMG Peat Marwick, L.L.P. (KPMG) are currently assisting the Finance and Accounting department by reviewing unpaid invoices, recording investment activity and reconciling cash balances. Cash receipts could not be tested through the system because current Banner reports did not detail individual transactions to each account. Management has requested a customized report that will enable future auditors to verify the timeliness of cash receipts transactions.	<p>Systems & Computer Technology Corporation (SCT) personnel should develop the above-mentioned report, which would allow testing/tracing of all individual bursar/cashier transactions to an individual cashier's daily work and to the respective Banner accounts where the funds are credited.</p> <p>All necessary adjusting/correcting Journal Vouchers (JVs) should be prepared and posted to applicable Banner System accounts during the monthly reconciliation process. Additionally, the University should implement procedures to ensure vendor payments are processed <u>and</u> mailed out within 30 days as required by state statutes.</p> <p>We will retest cash receipts, adjusting or correcting JVs, and Accounts Payable (A/P) transactions through the Banner System during our next visit. For JVs and A/P transactions, at least 85 percent of each type of transaction would need to be processed through the system within 30 days of invoice date or reconciliation date for this part of the performance measure to be considered implemented. For cash receipts, at least 90 percent of our sample of transactions would need to be traced back to the actual cashier's cash receipt document for this part of the performance measure to be considered implemented.</p>	

Measure 3: (continued)		Partially Implemented
(b) Monthly operating statements with projections to fiscal year end.		
Comment	Recommendation	
Operating statements for overall University operations have been prepared and determined to be materially accurate for the months of February through June 1998. However, individual departments have not received monthly operating reports. Departmental monthly operating reports are essential for departments to plan and manage departmental resources effectively. The monthly departmental reports are standard reports for universities.	The September 1998 departmental monthly operating report (MOR), detailing budgeted funds, expenditures, encumbrances, and available balances, should be prepared and distributed to all applicable departments within 60 days from the completion of the fiscal year 1998 AFR. All other monthly operating reports for fiscal year 1998-1999 (For example, December 1998 through August 1999) should be prepared and distributed to all applicable departments within 30 days from the end of the month for this part of the performance measure to be considered implemented.	
		Not Implemented
(c) Vendor payments disbursed within 30 days (as required by law).		
Comment	Recommendation	
Per our testing, 26 percent of the vendors in our sample were not processed within 30 days as required by state statutes. Our tolerance level for this test was no more than 20 percent of the vendor payments not processed within the 30-day time limit.	This area will be re-tested during our next review. With the additional months for making improvements, we expect at least 85 percent of the vendors in our sample to be processed and mailed within the 30-day period (as required by state statutes) for this part of the performance measure to be considered implemented.	
		Not Implemented
(d) Student financial aid disbursed in appropriate and timely manner.		
Comment	Recommendation	
As of July 30, 1998, there were 417 student refund and financial aid award checks totaling \$261,949 which were not disbursed from the Bursar's Office. 283 of these checks totaling \$193,538, had check dates older than 30 days.	All old (prior semesters) refund and award checks should be disbursed from the Bursar's Office or cancelled. Additionally, at least 90 percent of student accounts that have been forwarded to and processed by the U.S. Department of Education (DOE) should have refund balances processed and disbursed to the applicable students within 10 days (per federal regulations) of receipt of DOE funds for this part of the performance measure to be considered implemented.	

Measure 3: (continued)		Implemented
(e) State reimbursements disbursed timely.		
Comment	Recommendation	
Per our testing, state reimbursements were disbursed timely. Only 4 checks totaling \$4,246 were older than 30 days and all 4 had been requested to be held at Bursar's Office per written documentation.		
		Partially Implemented
(f) Commence monthly reconciliations of all cash (bank) and investment accounts including resolution of reconciling items.		
Comment	Recommendation	
<p><u>Investment Accounts:</u> Documented investment account reconciliations were not prepared for any investment accounts.</p> <p><u>Cash/Bank Accounts:</u> Documented bank account reconciliations were prepared for 13 of the University's 19 bank accounts. These 13 bank accounts held 16.8 percent of the University's \$15.2 million cash balances at February 28, 1998. The bank account reconciliations, for these 13 bank accounts, were prepared timely (within 60 days from receipt of bank statements), accurately, and with reconciling items adequately supported and cleared on a timely basis.</p> <p>The three largest operating bank accounts had the following reconciliation issues:</p> <ul style="list-style-type: none"> January and February 1998 reconciliations for the Clearing Account were accurate but not prepared timely. Additionally, there were over \$22 million in adjusting debits and over \$33 million in adjusting credits needed to reconcile to the January bank balance. Although all reconciling items were cleared in the following months, users of these records would not be getting an accurate assessment of the University's clearing account bank balances. Additionally, any internal accounts affected by these adjusting entries would not be accurate. 	Formal, written reconciliations will be required and reviewed for all bank and investment accounts which support balances on the balance sheet. All reconciling items must be cleared within 60 days of first appearing on the reconciliation. All support (copies of Banner System account balances, JVs to clear reconciling items, and copies of bank or investment statements) must be attached and included as part of the formal reconciliation for this part of the performance measure to be considered implemented.	

Measure 3: (continued)	
Comment	Recommendation
<ul style="list-style-type: none"> January through March 1998 reconciliations for the payroll bank account contained small, unreconciled differences and some of the reconciling items were not cleared timely. The operating fund bank account contained many old reconciling items; however, we were provided with JV copies which would clear all these old reconciling items in April, May, and June of 1998. These reconciling items included over \$9 million in adjusting debits and over \$8 million in adjusting credits for the January 1998 reconciliation and over \$6 million in adjusting debits and over \$5.5 million in adjusting credits for the February and March 1998 reconciliations. Outstanding checks date back to fiscal years 1994, 1995, 1996, and 1997. <p>Due to the large dollar amount of needed adjustments and outstanding checks, users of these records would not be getting an accurate assessment of the University's payroll bank balances. Additionally, any internal accounts affected by these adjusting entries would not be accurate.</p> <ul style="list-style-type: none"> The operating fund bank account contained many old reconciling items; however, we were provided with JV copies which would clear all these old reconciling items in April, May, and June of 1998. Additionally, there were over \$5.6 million, \$3.3 million, and \$1.8 million in outstanding checks for March, April, and May 1998. Due to the large dollar amount of outstanding checks, users of these records would not be getting an accurate assessment of these bank balances. Additionally, any internal accounts affected by these adjusting entries would not be accurate. 	
Partially Implemented	
(g) Currently monthly accounts payable reports generated.	
Comment	Recommendation
Accounts payable reports appeared accurate. One report contained test data due to some test data in the A/P files. Bill Edwards of SCT has written a program to clear test data from the A/P module.	Based on the Banner contract which calls for "timely" resolution of system problems, this test information should be removed from Banner System files so that all A/P reports contain only real data for this part of the performance measure to be considered implemented.

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Measure 3: (concluded)	
Partially Implemented	
(h) Current monthly reconciliations of University accounting records to Uniform Statewide Account System (USAS), including resolution of reconciling items.	
Comment	Recommendation
The University has reconciled its accounting records to USAS but not all reconciling items had been cleared on a timely basis. Additionally, there were very large reconciling amounts. Over \$11 million in adjustments were needed for both University's and the Comptroller's records for the three months reviewed. Due to the large dollar amount of adjustments needed, users of USAS records would not be getting an accurate assessment of the University's appropriation balances. As a result, any decisions involving the University would not be based on accurate appropriation information.	For USAS reconciliations, all reconciling items should be cleared within 60 days from first appearing on the reconciliations for this part of the performance measure to be considered implemented.
Not Implemented	
(i) Current General Ledger, including monthly reconciliations between the subsidiary ledgers and general ledger, including resolution of reconciling items.	
Comment	Recommendation
We have reviewed the reconciliation of student accounting records from the old College and University Financial Systems (CUFs) accounting system to the new Banner System and this appears to be accurate. Their reconciliation process merely adjusted the general ledger accounts to the subsidiary account balances with no review or investigation into why the differences occurred. As a result, individual student accounts may not be accurate. The new integrated Banner System is a self-balancing system where any entry made to a student account will automatically be updated in the corresponding general ledger account. This should ensure the accuracy of student accounts from April 1, 1998 forward. Additionally, the DOE will not remove the University from their current reimbursement status until monthly reconciliations are prepared, and reconciliations of student aid disbursed per their Banner accounting system reconciles to amounts disbursed per the Fiscal Operations Report and Application (FISAP), and Education Department Payment Management System (EDPMS) 272 Reports.	Formal reconciliations of all general ledger account receivables and payroll withholding accounts will be reviewed for required signatures, accuracy, timeliness of preparation, and timeliness of clearing reconciling items. All necessary correcting entries to Banner System beginning balances must have been made to the accounts prior to fiscal year 1998 close-out. Account receivable and payroll withholding account reconciliations must be materially accurate and timely. Lastly, the formal reconciliation of financial aid student accounts in the Banner System to the 1998 FISAP and June 30, 1998 EDPMS 272 Report must be completed and materially accurate for this part of the performance measure to be considered implemented.

Measure 4:		Partially Implemented
Policy and Procedures manual current for all financial and administrative functions, including Banner System Modules.		
Comment		Recommendation
<p>The University has contracted with a vendor to develop the University's policies and procedures manual. The manual was scheduled for completion on October 15, 1998. To date we have been provided with sections for the following procedures:</p> <ul style="list-style-type: none"> • Budget Transfers • Emergency Purchases • Formal Bid Purchases • Grant Transactions • Purchases on State Contracts • Travel Authority (Permission to travel) • Travel Voucher Preparation • Spot Purchases less than \$5,000 		<p>The policies and procedures manual will be reviewed and tested for compliance with actual procedures in use by the applicable departments. At least 80 percent of the procedures that we select for review must be documented correctly in the new policies and procedures manual for this performance measure to be considered implemented.</p>
Human Resources (Measures 5 through 7)		Partially Implemented
Measure 5:		Partially Implemented
University hires Chief Operating Officer and Internal Audit Director via board-approved process.		
Comment		Recommendation
<p>The Chief Operating Officer has not been hired.</p> <p>The Internal Audit Director position was filled, but not in accordance with University policies and procedures:</p> <ul style="list-style-type: none"> • Search committee was made up of only one member (policy calls for at least 3). • There was not a sufficient applicant pool (only one applicant). The documentation shows that the applicants from the 1993 applicant pool, when the previous Internal Audit Director was hired, were included in the 1997 pool. This is not a legitimate applicant pool since individuals that applied three years ago are unlikely to be viable candidates. • There must be a sufficient applicant pool (at least 3 persons) or the University should extend the filing deadline and enhance search procedures. 		<ul style="list-style-type: none"> • A national or regional search should be conducted for the vacant Chief Operating Officer position. The following policies and procedures must be followed and documented for this part of the performance measures to be considered implemented: • The search committee must be made up of at least 3 members. • Documentation must be available to support that a national or regional search was conducted. • There must be a sufficient applicant pool of qualified applicants or the University should extend the filing deadline and enhance search procedures. Exceptions can be made if an applicant has documented qualifications to fulfill all job requirements. • The hiring packet should be complete. It should contain a completed application, screening form, interview questions and answers or a Search Activity Report, a completed recruiting summary, a documented reason for hiring the applicant and results of the interview.

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Measure 5: (concluded)	
Comment	Recommendation
<ul style="list-style-type: none"> • Hiring packet was not complete: <ul style="list-style-type: none"> - No application, screening form, interview questions, or Search Activity Report. - Recruiting summary was not complete. No reason for hire was noted. - Result of interview was not documented. • The University reports applicant was interviewed in March 1998 (no written record of this). The employee was hired May 1, 1998. The Board approved hire on July 9, 1998 (policy requires board approval prior to hire). 	
Measure 6:	Partially Implemented
<p>Effective immediately, all executive team positions filled by University administration comply with written selection process, to include selections committee composed of internal and external parties, regional and national search.</p> <p>Note: <i>The President's executive team includes Chief Operating Officer, Sr. Vice President for Administration, Provost/Sr. Vice President, Director of Human Resources, Director of Internal Audit, Assistant Vice President for Enrollment Management, Associate Vice President for Development, Associate Vice President for Facilities and Planning, and Associate Vice President for External Affairs.</i></p>	
Comment	Recommendation
<p>Four of nine (44 percent) executive team positions are not filled. The recruiting and hiring for the Internal Audit Director position did not comply with written selection processes, as noted above.</p> <p>Testing of a sample of other executive position selections indicated that most of the University's policies were followed.</p> <p>We also reviewed selection documentation for non-executive positions. Out of 38 files that were tested, 30 (79 percent) did not have all of the information required by University policy. Additionally, some selection files contained sensitive information such as race and gender data that should be placed in a separate "confidential" file to ensure that it is not considered in the selection process.</p>	<p>See recommendation for Measure 5 above. Additionally, all University policies and procedures should be followed for future hiring of non-executive positions. All sensitive information such as race and gender should be deleted from the selection file and placed in a separate "confidential" file to ensure it is not considered in the selection process. Disability information on applicants should not be collected per the Americans with Disabilities Act.</p>

Measure 7:		Partially Implemented
Human Resources Management Systems developed.		
Note: For this entire performance measure to be considered implemented, at least 3 of the remaining 4 sections below must be fully implemented.		
(a) Census of University-wide vacant positions.		Implemented
Comment	Recommendation	
<p>The University publishes an Open/Non-filled Position Vacancy Update periodically. However, it does not appear that the University has made filling these positions with qualified staff a high priority.</p> <p>A review of the June 12, 1998, vacancy report shows that there were 20 key management positions vacant or held by interim employees, including the:</p> <ul style="list-style-type: none"> • Senior Vice President and Assistant Vice President for Administration • Provost/Senior Vice President • Assistant Vice President for Enrollment Management • Chief Operations Officer • Comptroller • Registrar • 7 Department Directors (including Human Resources, Financial Aid, and Financial Reporting) • 5 Deans, 1 Associate Dean 	<p>Filling these key management positions must be a priority in order for the University to effectively fulfill its mission.</p>	
(b) Job analysis and job descriptions completed for executive level management and top unit managers.		Implemented
Comment	Recommendation	
<p>A job analysis has been performed on all positions and job descriptions were available for all positions.</p> <p>Job analysis and the resulting job descriptions are the foundation for achieving effective performance and results. Without them, work efficiency may be difficult to achieve since employees do not know the parameters of their jobs. Additionally, individual accountability for results is difficult to establish without the job descriptions.</p>		

Measure 7: (continued)		Partially Implemented
(c) Uniform appraisal system adopted for executive level management and top unit managers.		
Comment		Recommendation
<p>Part of a new performance appraisal system has been designed, but it has not been implemented. The University is still developing rating criteria and the performance planning section of the system.</p> <p>Performance appraisals provide employees with critical information about the efficiency and results of their work. For the University, performance appraisals provide employee productivity information as well as documentation needed to make personnel decisions. The University needs this information to determine the return on its investment in human resources.</p> <p>The Human Resources Department does have well-defined policies on performance evaluations and does remind managers about due dates and attempts to collect completed forms.</p> <p>However, we tested a sample of 30 performance evaluations of all staff. Ten of which were executive level positions.</p> <ul style="list-style-type: none"> • 80 percent (24 out of 30) of the files tested had not been evaluated annually as required by University policy. • Only 50 percent (5 out of 10) of the executive position performance evaluations tested had been completed. None of the five forms were dated or signed by either party. 		<p>The University must have the new appraisal system implemented for this part of the performance measure to be considered implemented. This includes having rating criteria defined and being able to tie performance planning to actual position descriptions or job analyses.</p> <p>Additionally, we will re-test executive and non-executive files for annual evaluations, dates, and required signatures. At least 80 percent of our test sample must have required dates and signatures, and must have an annual evaluation completed for this part of the performance measure to be considered implemented.</p>
		Partially Implemented
(d) Comprehensive training program designed for appropriate University staff.		
Comment		Recommendation
<p>Training is especially important as we have indications that some employees lack sufficient knowledge to effectively perform their jobs. Changes to the training program appear to be weak and are not far enough along to show any substantial progress. These weaknesses include:</p>		<p>The University must complete development of the comprehensive training program for all University staff. This comprehensive training program must include the following for this part of the performance measure to be considered implemented:</p>

Measure 7: (concluded)	
(d) Comprehensive training program designed for appropriate University staff.	
Comment	Recommendation
<ul style="list-style-type: none"> The University is in the process of developing a Management Academy program; however, we have not been provided with milestones nor deadlines to determine the status of this project. The University does not have a current year training schedule available for employees, nor was one available for last year. The University had a participant training assessment form developed prior to 1997, however, it is still not being used. The type of training feedback information provided on assessment forms is critical in determining the effectiveness of the training provided. No training and development information is kept in employee files. The Listening Library, which provides self-study materials for employees, has shown no action for the past two years. The training offered at the University between June 1, 1997, and present is not broad enough to accomplish the mission of the University's Training and Development policy. Specifically, there are not enough training classes to meet the needs of non-supervisory staff. 	<ul style="list-style-type: none"> A complete training schedule for fiscal year 1998-1999 There should be a sufficient number of training classes available for non-supervisory staff All training and development information should be included in employees' files Participant training assessment forms should be used for all training classes and available for review by outside parties.
Partially Implemented	
(e) Comprehensive external assessment of human resources function.	
Comment	Recommendation
MGT of America Incorporated has prepared an initial draft of the comprehensive external assessment of the University's human resources function.	We will make our final assessment and will review dates and times for implementing various recommendations once the report is finalized.
Partially Implemented	
Management Information Systems (Measures 8 through 10)	
Measure 8:	
Implemented	
Completed and updated Biennial Operating Plan provided to Department of Information Resources (DIR).	
Comment	Recommendation
The University submitted its Biennial Operating Plan (BOP) initially on January 26, 1998 at which time they were asked to make corrections. The BOP was re-submitted on March 3, 1998, and it is awaiting approval.	

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Measure 9:		Partially Implemented
Banner System Finance and Student Financial Aid (SFA) modules on-line, tested, and implemented.		
Note: For this entire performance measure to be considered fully implemented, all three of the sections below (a-c) must be fully implemented.		
(a) Implementation plan completed for Banner System.		Implemented
Comment	Recommendation	
Per our review, an implementation plan for the Banner System has been completed.		
(b) Monitoring plan of SCT contract developed.		Partially Implemented
Comment	Recommendation	
The University does not have a formal, documented monitoring plan nor has it named a contract administrator to ensure that SCT complies with all contract provisions (for example, SFA training contract). Although the Sr. Vice President for Administration has weekly meetings with the SCT representative and receives scheduled updates, the University does not review contract compliance and relies too much on the vendor to make sure SCT complies with all aspects of the contract. Additionally, there are areas of the contract where the specific performance or deliverables required by the University or SCT is vague or not specific enough to make a concrete decision on whether either party is in compliance.	A formal, written document must be prepared outlining which areas of the contract will be monitored and by whom. Additionally, for any gray areas where a deliverable is not specifically mentioned, the University and SCT personnel must agree and document the specific deliverable required. Lastly, the document will need to specify the criteria used to determine compliance with the contract for these gray areas. All of these things must be included in the document for this part of the performance measure to be considered implemented.	
(c) Other automated student financial aid systems discontinued.		Implemented
Comment	Recommendation	
The University discontinued using its other automated student financial aid system People Oriented Information Systems for Education (POISE) as of May 15, 1998.		

Measure 10:

Partially Implemented

Banner System training completed by all appropriate staff currently using Banner System modules, including Finance and Accounting and Financial Aid.

Comment	Recommendation
<p>Most personnel we interviewed appeared to be adequately trained. However, we could not determine the extent of the training because a year-end closeout and long semester registration had not taken place during this time. A brief summary of training by area is as follows:</p> <ul style="list-style-type: none">• Finance and accounting: Formal Banner System training was provided during calendar year 1997, with follow-up training in February 1998. Overall assessment: Most employees felt the training was adequate. Also, an outside vendor is currently developing a policies and procedures manual for the finance and accounting areas which should be completed by October 15, 1998.• Financial Aid: Personnel in the Office of Student Financial Aid (OSFA), including the previous Director and Assistant Director, reported they were adequately trained and have user manuals at each desk. An agreement with SCT provided an undetermined number of training and consulting hours for OSFA staff.• The Payroll department is currently being trained on the Banner System payroll module, which should be implemented by January 1999. The Payroll Supervisor reports that training is currently meeting staff needs and that user manuals have been provided.• The Registrar's Office personnel report that Banner System training was inadequate and would like more in-depth training. Additionally, this department does not have user manuals.	<p>To determine the extent of training, we will interview additional employees after registration in fall 1998 and after the University prepares its 1998 Annual Financial Report. If at least 80 percent of applicable employees in our sample still had no major problems with applicable Banner System modules during these two events, we will consider this performance measure to be fully implemented.</p>

ATTACHMENT

Planning and Communications (Measure 11)		Partially Implemented
Measure 11: Outcome measures developed for administrative departmental operations. Note: <i>For this entire performance measure to be considered implemented, both of the sections below (a and b) must be fully implemented.</i>		
		Partially Implemented
(a) Systems established for tracking and reporting department measures.		
Comment	Recommendation	
Administrative outcome measures have not been developed for all administrative departments.	All administrative departments listed in the most current University organizational chart must have documented, written performance measures developed for their operations for this part of the performance measure to be considered implemented.	
		Partially Implemented
(b) System established for incorporating measures in executive decision making.		
Comment	Recommendation	
Full implementation and tracking for the measures that have been developed is not scheduled to begin until September of 1998.	The University must formally document how they plan to incorporate these departmental measures in their executive decision-making process for this part of the performance measure to be considered implemented.	
Student Financial Aid (Measures 12 through 17)		Partially Implemented
Measure 12:		Partially Implemented
Key positions filled with experienced and qualified personnel.		
Comment	Recommendation	
Status as of July 15, 1998: <ul style="list-style-type: none"> • Vacant positions: There were 6 out of 21 (or 29 percent) vacant positions in the OSFA. These positions included: Director, Accountant III, Counselor II, Placement Officer, Office Coordinator, and Data Entry Clerk. The Director's position has been posted; however, the job posting was vague about the experience required for this job. Additionally, several of the other vacant positions have not been posted to date. • Target date for filling the Director position needs to be determined. • Other positions are currently filled with qualified personnel. 	The Director and at least 2 of the 5 other positions must be filled for this performance measure to be considered implemented. If the University outsources part of the award process, then only the Director position needs to be filled with an experienced, qualified person for this performance measure to be considered implemented.	

Measure 13:		Partially Implemented
Policies and procedures developed and in use that ensure consistent practices for administering and processing student financial aid.		
Comment	Recommendation	
Policies and procedures manuals are at each workstation. Based on our review, it appears Financial Aid employees are using the manuals as evidenced by the error rate. Fiscal year 1998 reimbursement files transmitted to the DOE have been consistently less than 10 percent. However, the policies and procedures manual should be updated as recommended by the interagency working group in their draft report.	The policies and procedures manual will need to be fully updated as recommended by the interagency working group in their draft report and the total error rate for all fiscal year 1998 reimbursements must be 10 percent or less for this performance measure to be considered implemented.	
Measure 14:		Not Implemented
Reimbursement process developed and implemented which ensures timely and accurate submissions of reimbursement requests.		
Comment	Recommendation	
As of July 15, 1998, 1,371 out of 2,700 (or 51 percent) student files for the fall semester 1997 had been sent to the DOE for reimbursement. Also, as of this date, 853 of 2,700 (or 32 percent) student files for the spring semester 1998 had been sent to the DOE for reimbursement.	All 1997-1998 eligible student files must have been submitted to DOE for reimbursement by November 1, 1998. Additionally, at least one-third of the eligible student files for the fall 1998 semester must be submitted to DOE for reimbursement by December 20, 1998. Submissions to DOE should have an error rate of 10 percent or less. Lastly, a reasonable and attainable schedule must be developed for submitting the remainder of the eligible fall semester 1998 student files to DOE for reimbursement. All of the above conditions must be met for this performance measure to be considered implemented.	
Measure 15:		Partially Implemented
Establish system of communications between departments responsible for student financial aid.		
Comment	Recommendation	
Interdepartmental groups were created to discuss coordination of responsibilities. The Registrar's, Bursar's, Admission's, Fiscal, and Student Financial Aid Offices have become involved in the reimbursement process and have recognized that problems historically identified as problems within the OSFA are actually University problems requiring coordination between these offices. There have been recent, routine Interdepartmental meetings between them; however, meeting agendas and discussion topics were not distributed prior to meeting dates. As a result, these meetings were not as efficient and productive as they could have been.	Routine and timely meetings must be scheduled with documented, applicable agendas available for our review. Milestones, deadlines for decisions, and work plans should be prepared to indicate the outcome of these meetings. We will re-test to determine whether the status meetings, agendas, and results were documented. At least 90 percent of the meetings must have agendas and results documented for this performance measure to be considered implemented.	

ATTACHMENT

Measure 15: (concluded)	
Comment	Recommendation
<p>Although the University has increased its efforts to establish needed lines of communication, there are still prior issues which have not been resolved. These issues will require a joint effort among the above-mentioned Offices.</p> <p>These issues are as follows:</p> <ul style="list-style-type: none"> • Strengthen controls over receipt of law access proceeds • Maintain copies of Student Status Confirmation Reports • Ensure payment authorization for University obligation's is optional 	
<p>Measure 16:</p>	
<p>Partially Implemented</p>	
<p>Resolve agreed-upon outstanding audit issues identified by State Auditor's Office during November 1997 follow-up.</p>	
Comment	Recommendation
<p>Six of nine prior issues have not been resolved. The following issues relate to academic year 1997-1998 information:</p> <ul style="list-style-type: none"> • The OSFA has not strengthened controls over receipt of Law Access loan proceeds for the Federal Family Education Loan (FFEL) program. • The University did not provide timely exit counseling information to all recipients of the FFEL program. • The University did not maintain copies of the Student Status Confirmation Reports for five years as required for the FFEL program. • The University did not adequately maintain complete and accurate student files for the FFEL program. • The University did not provide all recipients of the Federal Pell Grant program or FFEL program the option to authorize or disapprove the use of their financial aid funds to cover non-tuition or fee obligations. 	<p>Since 6 of the 9 findings will be reissued, this performance measure cannot be changed from its present status; however, the University management is strongly encouraged to develop procedures to ensure these findings will not be reissued for fiscal year 1999.</p>

Measure 16: (concluded)	
Comment	Recommendation
<ul style="list-style-type: none"> Due to the issues above, which still exist, the material weakness in the administration of Student Financial Aid, originally identified during the 1993 audit, still exists. <p>The following two issues have been resolved:</p> <ul style="list-style-type: none"> Provide entrance loan counseling to students Ensure that the aggregate and annual loan limits are not exceeded <p>The issue to submit a Default Management Plan to the U.S. Secretary of Education for approval could not be tested as the DOE would not certify a Default Management Plan until release of our final audit report (on the University's progress towards the performance measures.) This issue will be followed up on during the fiscal year 1998 statewide audit.</p>	
Measure 17:	Implemented
Resolve outstanding program review issues identified by the Department of Education as agreed to in the Settlement Agreement.	
Comment	Recommendation
<p>Negotiations with the DOE have been finalized for all outstanding program review issues and a settlement agreement has been prepared and signed by University and DOE officials as of September 11, 1998. This agreement calls for an initial down payment of \$4.6 million (\$1.2 million for repayment of a student housing note and \$3.4 million for initial down payment of settlement agreement for questioned costs) by the University to the DOE on June 18, 1998. At that time, varying quarterly payments begin October 1998 and end in October 2009 for the remaining balance of \$12,035,426.82.</p> <p>Additionally, DOE has imposed the following seven conditions the University must adhere to in order to participate in Title IV (Financial Aid) programs for program year 1998-1999:</p> <ul style="list-style-type: none"> Remain on Reimbursement status Must use a separate bank account for financial aid funds. 	

Measure 17: (concluded)	
Comment	Recommendation
<ul style="list-style-type: none"> • Must prepare monthly reconciliations of all financial aid programs and submit to DOE • Use a third-party servicer or consultant for processing fiscal year 1998-1999 financial aid • Continue on-site monitoring by Dallas DOE personnel • Provide DOE with periodic reports on financial aid processing and enrollment information • Sign current repayment agreement 	
Management Oversight System and Controls (Measures 18 through 19)	
Partially Implemented	
Measure 18:	
Partially Implemented	
Establish and maintain a system for executive management to use in setting goals, objectives, and priorities for the University and monitoring the University's performance.	
Comment	Recommendation
The University has completed a new strategic plan that contains revised goals, objectives, and priorities.	The University must develop a formal written plan on how to monitor achievement and performance of the goals, objectives, and priorities of the strategic plan in order for this measure to be considered fully implemented.
Measure 19:	
Implemented	
Establish and maintain a formal system for providing accurate and timely financial and performance information to the Board of Regents.	
Comment	Recommendation
<p>The University management has consulted with the Board of Regents on the content and format of information needed. They provide the Board with the five following financial reports:</p> <ul style="list-style-type: none"> • Balance Sheet • Statement of Current Funds Revenues and Expenditures • Revenue Budget versus Actual Revenues • Obligations (Expenditures and Encumbrances) versus Actual Obligations 	We recommend the University include a monthly updated vacancy report (that includes a selection activity section) as part of their monthly Board packet.

Measure 19: (concluded)	
Comment	Recommendation
<ul style="list-style-type: none"> Athletic Expenditures Detail (by sports program for all men's and women's sports) <p>We reviewed and tested the information for the months of April and May 1998 (prepared from new Banner Accounting system) and determined this information to be materially accurate.</p> <p>This information is provided to the Board prior to all Board meetings and is discussed at the meetings.</p>	