

**A Follow-Up Audit Report on Rider 5:  
Texas Southern University's Accountability Systems**

February 12, 1999

Members of the Legislative Audit Committee:

I am very concerned about Texas Southern University's (University) inability to improve its operations. Persistent problems in financial aid, human resources, and finance and accounting severely limit the University's ability to serve its students. Despite extensive assistance from the State Auditor's Office and other agencies, the University has not made substantial demonstrable progress toward improving these areas.

### **Student Financial Aid**

The University's Office of Student Financial Aid does not meet the needs of its students. Students do not receive their financial aid in time to pay their student bills or buy necessities. Many students waiting for financial aid have to pay their tuition in installments. The University does not waive the \$40 installment fee for these students, which in effect penalizes them for the University's lateness. The University owes students more than \$745,000 in late financial aid from last year or before.

For the Fall 1998 semester, the University did not distribute any federal aid until November 1998. As of January 1, 1999, the University was still submitting files for reimbursement for academic years 1996-1997, 1997-1998, and the Fall 1998 semester. Out of 31 student files tested, an average of 91 days passed from the date the file was posted in the system as complete until the Department of Education approved disbursement. (The Department of Education's approval takes a week to 10 days.) Lastly, the University does not accurately track the status of student reimbursement files or ensure that all eligible students have been awarded and received aid.

The University has consistently not used all of the Federal Supplemental Education Opportunity Grant and Federal Work-Study funds that are available to it. These funds do not have to be repaid, and they could have been given to students who instead had to take out loans. For academic years 1996-1997 and 1997-1998, the University lapsed \$755,244 of these funds.

Of additional concern is the University's failure to fulfill four of seven conditions imposed by the Department of Education. These four conditions are that the University:

- Use a separate bank account for financial aid funds.
- Prepare monthly reconciliations for all financial aid programs and submit them to the Department of Education.
- Use a third-party servicer or consultant for processing fiscal year 1998-1999 financial aid.
- Provide the Department of Education with periodic reports on financial aid processing and enrollment information.

The University must follow the requirements or it risks not being able to participate in Title IV funding (federal financial aid programs). The University's continued failure to meet these conditions puts its \$4.7 million in direct aid and \$25 million in loan programs at risk.

Staffing issues are the cause of many of the problems in the Office of Student Financial Aid. Seven of 21 positions were vacant as of December 1, 1998. Personnel hired to fill the vacant positions are often inexperienced or unqualified, and the training they receive is inadequate. Other causes of problems in Student Financial Aid include inadequate and incomplete policies and procedures and inaccurate or missing data in the student information system.

## Human Resources

The University is not able to improve operations because it does not have a system to attract, select, and retain qualified employees. There were 104 reported vacant positions as of November 24, 1998. This is up from 77 vacant positions reported in June 1998. Twenty-two of the vacant positions provide services to students. Four vacancies are on the executive team, while 20 of the vacancies are in key management positions.

A lack of leadership in human resources management—along with inadequate recognition of the significance of human resources—has resulted in at least the following three deficiencies at the University:

- The University routinely hires inexperienced and/or unqualified personnel for critical positions.
- The training program for University staff is not comprehensive or job-appropriate.
- The employee appraisal system does not properly evaluate the effectiveness of employees' work on a regular basis.

## Finance and Accounting

The University is unable to manage its financial resources effectively. It has trouble paying its bills on time, collecting money it is owed, using money in compliance with rules and regulations, and keeping accurate financial records. For example:

- Sixty-nine percent (more than \$25 million) of the University's current fund assets are in receivables. Thirty-six percent of the \$14.6 million in student receivables may not be collectable because the debts are more than two years old. Only four employees are involved in the billing process for this money, and there are no procedures outlining how to collect it. The University does not accurately track who owes it money. Students are only billed once per semester, and those owing money are not always barred from future registration. The inadequate management of these receivables has caused severe cash flow problems.

- The University cannot prove the accuracy of the information in its *1998 Annual Financial Report* because it does not have accurate records to support the amounts listed. Sixteen line item amounts on the Statement of Revenues and Expenditures could not pass the “reasonableness” test. Management could not provide adequate support for 86 large fluctuations (differences in amounts on the balance sheet and the statement of revenues and expenditures between fiscal years 1997 and 1998). Without accurate information, University management and potential users of this information cannot make informed decisions concerning the University.

## Planning and Communications

The University has developed outcome measures for all administrative departments. Now it must use the measures to monitor the departments’ progress toward achieving its strategic plan.

## Management Information Systems

The automated information systems for finance and accounting and student financial aid are on line. However, not all of the finance and accounting system’s components work as intended, and data in the financial aid system files are inaccurate.

To have demonstrated substantial demonstrable progress, the University needed to fully implement 15 of 19 performance measures. It only fully implemented five. Detailed information on the status of the measures and the University’s response are attached. 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 Terry Holderman, Project Manager, or Cathy Smock, Audit Manager, at 479-4700.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

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Attachment

cc: Members, Texas Southern University  
Board of Regents  
Dr. Priscilla D. Slade, Acting President  
Mr. Marshall McDade, CPA, Internal Auditor

### Objective, Scope, and Methodology

The objective 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 included a review and analysis of the following University accountability systems: Student Financial Aid, Finance and Accounting, Human Resources, Planning and Communication, and Management Information Systems.

The methodology 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.

This audit was conducted in accordance with Government Auditing Standards.

# Finance and Accounting

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Measure 1: NOT IMPLEMENTED

## Texas Southern University's (University) Annual Financial Report Tested for Material Weaknesses and Corrected for Fiscal Year 1998. Validate Material Items for Financial Statement Reliability, Including Cash, Accounts Receivable, Accounts Payable, Payroll, and Grants and Contracts.

Not all material line items in the University's 1998 *Annual Financial Report* balance sheet could be validated as reasonably accurate. We were unable to support the reliability of the amounts reported for the following accounts:

Not Implemented

- Cash and Temporary Investments (\$21.6 million)
- Accounts Receivables (\$11.5 million)
- Federal Receivables (\$10.6 million)
- Notes Receivable (\$3.5 million)
- Investments (\$8 million)
- Due From Other Funds (\$1.3 million)
- Deferred Revenue (\$1.7 million)
- Accrued Compensable Absences Payable (\$1.1 million)

Many material line items on the University's Statement of Current Funds Revenues and Expenditures could not pass a "reasonableness" test. Additionally, we were not provided with adequate support for large fluctuations (changes of more than \$1 million or changes of 15 percent or more from previous year). Some supporting documentation did not "foot" across (beginning balance, plus or minus debits and credits, did not equal ending balance). Balance sheet amounts did not match corresponding amounts from the University's end-of-year trial balance (13<sup>th</sup> month).

| Contents                                       |    |
|--|----|
| Finance and Accounting .....                   | 1  |
| Human Resources.....                           | 6  |
| Management Information Systems.....            | 9  |
| Planning and Communications.....               | 11 |
| Student Financial Aid.....                     | 12 |
| Management Oversight Systems and Controls..... | 16 |
| Management's Response.....                     | 18 |

Measure 2: PARTIALLY IMPLEMENTED

## Cash Flow Projected From September 1, 199X, Through August 31, 199X.

Per discussions with the Interim Senior Vice President for Administration, a cash flow projection for fiscal year 1999 was

Partially Implemented

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not available as of January 27, 1999. The University prepared a cash flow spreadsheet for fiscal year 1998. For the period September 1997 through April 1998, the projected cash inflows appeared accurate to within 98 percent of actual cash inflows. The projected cash outflows appeared accurate to within 97 percent of actual cash outflows. However, due to the inaccuracies and inconsistencies in the information reported in the fiscal year *1998 Annual Financial Report*, we cannot conclude that the fiscal year 1998 cash flow information is correct or supportable.

Measure 3: PARTIALLY IMPLEMENTED

## Banner System's Financial Module Implemented and Functioning.

For this entire performance measure to be considered implemented, at least six of the nine sections below (3-A through 3-I) must be fully implemented.

Partially Implemented

Measure 3-A: PARTIALLY IMPLEMENTED

### All Financial Transactions Booked in a Timely Manner.

All financial transactions were not booked in a timely manner. Adjusting journal entries for the operating bank account and Uniform Statewide Accounting System (USAS) accounts totaling more than \$5.3 million were not posted prior to year-end close out.

Measure 3-B: PARTIALLY IMPLEMENTED

### Monthly Operating Statements with Projections to Fiscal Year End.

Manual operating statements for overall University operations were prepared through June 1998. Starting in July 1998, individual departments could access departmental financial information on line. However, based on the large number and dollar amount of unsupported fluctuations and questioned amounts on the University's *1998 Annual Financial Report (AFR)*, we cannot conclude that these reports were accurate. The AFR exhibits were derived from the same accounts in the University's finance and accounting system; therefore, until we are provided with reasonable and supportable documentation for the pages of questioned items in the 1998 AFR, we cannot conclude these operating statements were accurate.

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Measure 3-C: IMPLEMENTED

**Vendor Payments Disbursed Within 30 Days (as Required by Law).**

Based upon our review of the University's Invoice Aging Report, over 85 percent of its invoices were paid within the 30-day period required by state statutes.

Measure 3-D: NOT IMPLEMENTED

**Student Financial Aid Disbursed In Appropriate and Timely Manner.**

As of January 1, 1999, the University was still submitting files for reimbursement for academic years 1996-1997 and 1997-1998 and the fall 1998 semester. We observed poor cash management controls over the handling of over \$1.6 million in Stafford loan checks. There was no security guard located in the area where the checks were handled. The checks were too easily accessible to anyone in the area (they were kept in a cardboard box), and there was minimal oversight over temporary workers in this area. Some of these checks were held for over 30 days, which is in noncompliance with federal regulations.

Additionally, the University has consistently lapsed Federal Supplemental Education Opportunity Grant (FSEOG) and Federal Work-Study (FWS) funds, which could have been allocated to students instead of loans. For academic years 1996-1997 and 1997-1998, the University lapsed \$755,244 in FSEOG and FWS funds. Not all Texas Public Education Grant (TPEG) funds were issued to students. In academic year 1997-1998, over \$949,000 in TPEG funds were not allocated to students or forwarded to the Texas Higher Education Coordinating Board as required by law.

Lastly, the University does not perform a formal reconciliation to determine the status of student reimbursement files or to make sure all eligible students have been awarded and received aid.

Measure 3-E: IMPLEMENTED

**State Reimbursements Disbursed in a Timely Manner.**

Per our review, state reimbursements were disbursed in a timely manner.

Measure 3-F: NOT IMPLEMENTED

**Commence Monthly Reconciliations of all Cash (Bank) and Investment Accounts Including Resolution of Reconciling Items.**

Investment Accounts: Documented investment account reconciliations were not provided to us for any investment accounts.

Cash/Bank Accounts: Not all bank account reconciliations or adjusting journal vouchers were prepared in a timely manner. Additionally, some contained questionable reconciling items and unreconciled amounts.

Measure 3-G: PARTIALLY IMPLEMENTED

**Current Monthly Accounts Payable Reports Generated.**

Four of five accounts payable reports provided to us did not tie to their respective amounts in the University's 1998 AFR. Additionally, \$141,675 in agency fund accounts payables were not included in the 1998 AFR.

Test data was removed from the other Banner system accounts payable report outlined in our previous report.

Measure 3-H: NOT IMPLEMENTED

**Current Monthly Reconciliations of University Accounting Records to Uniform Statewide Accounting System (USAS), Including Resolution of Reconciling Items.**

For the months of April to August 1998, the University did not reconcile its accounting records to USAS on a timely basis. Adjusting entries were not entered into USAS records prior to year-end close-out. Additionally, there were very large reconciling amounts. Over \$1.7 million in adjustments were needed for both the University and the USAS records for the five 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.

Measure 3-I: NOT IMPLEMENTED

**Current General Ledger, Including Monthly Reconciliations Between the Subsidiary Ledgers and General Ledger, Including Resolution of Reconciling Items.**

We were never provided with payroll withholding account reconciliations for fiscal year 1998. Additionally, a formal reconciliation of financial aid student accounts in the Banner System to the *1998 Fiscal Operations Report and Application to Participate (FISAP)* and June 30, 1998, *Education Department Payment Management System (EDPMS) 272 Report* has not been done. Monthly reconciliations of financial aid student accounts in the Banner System to the accounting records for academic year 1998-1999 have not been done. This was a requirement imposed by the Department of Education (DOE) in order for the University to continue to participate in Title IV funding (federal financial aid programs).

Measure 4: PARTIALLY IMPLEMENTED

**Policy and Procedures Manual Current for all Financial and Administrative Functions, Including Banner System Modules.**

The policy and procedure manual was incomplete as it did not include all important functions in the finance and accounting area (there was nothing on collection processes or procedures). Additionally, the manual did not include any information on how to do things in the new Banner finance and accounting system, nor was there a reference made to any Banner manuals containing this information.

**Partially Implemented**

## Human Resources

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Measure 5: IMPLEMENTED

### University Hires Chief Operating Officer and Internal Audit Director Via Board-Approved Process.

A Chief Operating Officer was hired as of January 25, 1999.

Implemented

Measure 6: PARTIALLY IMPLEMENTED

### 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.

The President's executive team includes Chief Operating Officer, Senior Vice President for Administration, Provost/Senior 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.

Partially Implemented

Two of nine (22 percent) executive team positions were still vacant as of February 1, 1999.

Measure 7: PARTIALLY IMPLEMENTED

### Human Resources Management Systems Developed.

For this entire performance measure to be considered implemented, at least three of the remaining four sections below (7-A through 7-D) must be fully implemented.

Partially Implemented

Measure 7-A: NOT IMPLEMENTED

### **Census of University-Wide Vacant Positions.**

As of November 24, 1998, there were 104 vacancies at the University (up from 77 as of June 1998). A review of the November 24, 1998, vacancy report shows that there were still 20 key management positions vacant or held by interim employees, including:

- Senior Vice President and Assistant Vice President for Administration
- Provost/Senior Vice President
- Assistant Vice President for Enrollment Management
- Chief Operations Officer
- Comptroller
- Registrar
- Seven Department Directors (including Human Resources, Libraries, Public Safety, Expenditures, Architectural Engineering and Construction, Board Relations, and University Relations)
- Five Deans
- Assistant Vice President for Information Technologies

Measure 7-B: PARTIALLY IMPLEMENTED

### **Job Analysis and Job Descriptions Completed for Executive Level Management and Top Unit Managers.**

A job analysis has been performed on all positions, and job descriptions were available for all positions. However, the following improvements should be made:

- The book containing all job descriptions should be indexed so that job titles/descriptions are easier to find.
- Job class numbers should be included on all job descriptions.
- Outdated job descriptions should be updated to reflect current information.
- All job descriptions should be written in a standard format to ensure all information is included and easy to read and understand.

Measure 7-C: PARTIALLY IMPLEMENTED

### **Uniform Appraisal System Adopted for Executive Level Management and Top Unit Managers.**

Less than 50 percent of the required employee annual evaluations had been submitted to the Human Resources Department and filed in the appropriate employees' personnel files. Of the evaluations we reviewed, we documented the following deficiencies:

- Evaluations did not always provide adequate feedback on the employees' performance.
- Ratings were not always supported with appropriate comments.
- No overall rating was included on the performance evaluation form.
- Not all departments were required to complete employee evaluation forms.

Measure 7-D: PARTIALLY IMPLEMENTED

### **Comprehensive Training Program Designed for Appropriate University Staff.**

The current training calendar is inadequate. The Human Resource Department has not assessed training needs throughout the University. As a result, only six classes were scheduled for the entire fiscal year. We found no evidence to indicate any analysis was done to determine the training needs of the University or individual departments.

Measure 7-E: NOT APPLICABLE

### **Comprehensive External Assessment of Human Resources Function.**

MGT of America Incorporated prepared an initial draft of the comprehensive external assessment of the University's human resources function, but it was not made available to the University or our Office until January 15, 1999. As such, neither the University nor our Office could use the information during the time period under review.

# Management Information Systems

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Measure 8: IMPLEMENTED

## Completed and Updated Biennial Operating Plan Provided to Department of Information Resources (DIR).

The University submitted its Biennial Operating Plan (BOP) to the Department of Information Resources (DIR) initially on January 26, 1998. At that time the University was asked to make corrections. The BOP was resubmitted on March 5, 1998, and it is awaiting approval. As of January 8, 1999, it was still not approved by DIR.

Implemented

Measure 9: IMPLEMENTED

## Banner System Finance and Student Financial Aid (SFA) Modules On Line, Tested, and Implemented.

For this entire performance measure to be considered fully implemented, all three of the sections below (9-A through 9-C) must be fully implemented.

Implemented

Measure 9-A: IMPLEMENTED

### Implementation Plan Completed for Banner System.

Per our review, an implementation plan for the Banner System has been completed.

Measure 9-B: IMPLEMENTED

### Monitoring Plan of SCT Contract Developed.

The University has developed a formal, documented monitoring plan. It designated the Interim Senior Vice President for Administration as contract administrator. However, he resigned effective February 9, 1999.

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Measure 9-C: IMPLEMENTED

**Other Automated Student Financial Aid Systems Discontinued.**

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.**

The staff members we interviewed appeared to be aware of the Banner system information and processes related to their jobs. However, after a thorough review of the *1998 Annual Financial Report* and student files in the Office of Student Financial Aid, it appears more training is needed to help alleviate problems with inaccurate data in these two systems.

Partially Implemented

## Planning and Communications

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Measure 11: IMPLEMENTED

### Outcome Measures Developed for Administrative Departmental Operations.

For this entire performance measure to be considered implemented, both of the sections below (11-A and 11-B) must be fully implemented.

Implemented

Measure 11-A: IMPLEMENTED

#### Systems Established for Tracking and Reporting Department Measures.

Administrative outcome measures have been developed for all administrative departments.

Measure 11-B: IMPLEMENTED

#### System Established for Incorporating Measures in Executive Decision-Making.

Full implementation and tracking for the measures that have been developed began in September 1998. Additionally, a quarterly progress report was prepared for University management for the purpose of monitoring performance progress within the departments.

## Student Financial Aid

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Measure 12: PARTIALLY IMPLEMENTED

### Key Positions Filled with Experienced and Qualified Personnel.

Status as of December 1, 1998:

There were 7 out of 21 (or 33 percent) vacant positions in the Office of Student Financial Aid. These positions included Associate Director, Accountant III, Counselor II, Placement Officer, Office Coordinator, Receptionist, and Data Entry Clerk. The Director's position was filled; however, the person hired did not meet the minimum experience qualifications as outlined in the job posting. Additionally, the selected employees for two other positions filled since April 1998 did not meet the experience qualifications as outlined in the job postings.

Partially Implemented

Measure 13: PARTIALLY IMPLEMENTED

### Policies and Procedures Developed and in Use That Ensure Consistent Practices for Administering and Processing Student Financial Aid.

Policies and procedures manuals are at each workstation. However, the policies and procedures manual does not contain standardized, comprehensive procedures for all daily financial aid processes. This manual was not updated as recommended by the interagency working group in its draft report. Additionally, we observed extremely poor cash management and security controls over the handling of student financial aid checks including:

Partially Implemented

- There was no security guard in the area of check handling.
- Checks totaling over \$1.6 million were too easily accessible to temporary workers and non-University staff.
- There was no documentation to support the exchange of checks between Bursar and Financial Aid personnel.
- Duties were inadequately segregated between personnel processing the awards and handling checks.

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Measure 14: NOT IMPLEMENTED

## Reimbursement Process Developed and Implemented Which Ensures Timely and Accurate Submissions of Reimbursement Requests.

As of January 1, 1999, the University still had 246 files to submit for reimbursement for academic year 1997-1998, and it still had 121 files to submit for the Fall 1998 semester. Additionally, it still had 390 files to submit for reimbursement for the 1996-1997 academic year. However, according to the Department of Education Grant Administration and Payment System, there was only \$111,190 available until December 31, 1998, for periods prior to 1997-1998. As a result, any files for academic years 1995-1996 and 1996-1997 will most likely not be reimbursed.

Not Implemented

Measure 15: PARTIALLY IMPLEMENTED

## Establish System of Communications Between Departments Responsible for Student Financial Aid.

Interdepartmental groups were created to discuss coordination of responsibilities. The Registrar's, Bursar's, Admissions, Fiscal, and Student Financial Aid Offices have become involved in the reimbursement process and have recognized that problems historically identified as problems within the Office of Student Financial Aid are actually University problems requiring coordination between these offices. There have been recent, routine interdepartmental meetings between them with meeting agendas (distributed prior to meeting dates) and discussion topics documented for 90 percent of the recent meetings. However, it appears that the results of these meetings have not been documented. As a result, we cannot determine the effectiveness of these meetings or whether they were productive in solving the problems they were created to correct.

Partially Implemented

Measure 16: NOT IMPLEMENTED

## Resolve Agreed-Upon Outstanding Audit Issues Identified by State Auditor's Office During November 1997 Follow-Up.

Six of nine prior issues have not been resolved. The following issues relate to academic year 1997-1998 information:

- The Office of Student Financial Aid has not strengthened controls over receipt of Law Access loan proceeds for the Federal Family Education Loan (FFEL) program.

Not Implemented

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- 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.

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. The following two issues have been resolved:

- Provide entrance loan counseling to students.
- Ensure that the aggregate and annual loan limits are not exceeded.

The issue to submit a Default Management Plan to the U.S. Secretary of Education for approval could not be tested as the Department of Education 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 revisited during the fiscal year 1998 statewide audit.

Measure 17: PARTIALLY IMPLEMENTED

## Resolve Outstanding Program Review Issues Identified by the Department of Education as Agreed to in the Settlement Agreement.

Negotiations with the Department of Education (DOE) were finalized for all outstanding program review issues prior to this federal fiscal year 1997-1998. A settlement agreement was 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.

**Partially Implemented**

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:

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- Remain on Reimbursement status.
- Must use a separate bank account for financial aid funds. \*
- Must prepare monthly reconciliations of all financial aid programs and submit to DOE. \*
- Use a third-party servicer or consultant for processing academic 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.

\* These four conditions required action on the part of University personnel. None of these four conditions were completed or adhered to by the University as of January 1, 1999.

# Management Oversight Systems and Controls

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Measure 18: 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.

The University has completed a new strategic plan that contains revised goals, objectives, and priorities. It has also developed a monitoring plan to monitor achievement of the strategic plan. The first quarterly progress report was issued to University management in January 1999.

Implemented

Measure 19: PARTIALLY IMPLEMENTED

## Establish and Maintain a Formal System for Providing Accurate and Timely Financial and Performance Information to the Board of Regents.

University management has consulted with the Board of Regents on the content and format of information needed. Management provides the Board with the five following financial reports:

- Balance Sheet
- Statement of Current Funds Revenues and Expenditures
- Revenue Budget versus Actual Revenues
- Obligations (Expenditures and Encumbrances) versus Actual Obligations
- Athletic Expenditures Detail (by sports program for all men's and women's sports)

We reviewed and tested the information for the months of April and May 1998 (prepared from new Banner Accounting system) and determined this information appeared to be materially accurate. However, after reviewing the 1998 AFR, we cannot conclude that the financial information is accurate because of the following:

- Adequate support was lacking for the many questioned amounts throughout the AFR.

Partially Implemented

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- The support given for some of the amounts was not mathematically accurate (beginning balance, plus or minus debits and credits, did not equal the ending balance).
- Balance sheet amounts did not match the corresponding amounts on the end-of-year trial balance.
- Many revenue and expenditure amounts could not pass the “reasonableness” test.

This information is provided to the Board prior to all Board meetings.



**TEXAS SOUTHERN UNIVERSITY**  
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**RESPONSE TO STATE AUDITOR'S REPORT**

February 9, 1999

The State Auditor has found that Texas Southern University has fully implemented five (5) and partially implemented twelve (12) of the nineteen (19) performance measures in the areas of financial aid, human resources, and finance and accounting. The University acknowledges the need for further improvements of a systemic nature, has begun to make changes in key personnel, and will continue to hire appropriate staff for other strategic posts. The Board of Regents and the administration are committed to working together to make the necessary changes to demonstrate the University's viability. Texas Southern University is working closely with the State Auditor's Office, the State Comptroller's Office, other universities, and private sector experts. The Board is committed to continuing to work with the Governor and legislative leadership to rebuild the University to best serve its students.

Recent progress includes the following:

- The Board of Regents' appointment of a new president
- Submission of the resignations of all senior university officials for consideration by the President
- Appointment of a new Director of Human Resources
- Issuance of Spring '99 financial aid checks to students beginning nine (9) days after the start of classes
- A 58% decrease in student financial aid file processing time. The average time from the date a file was complete until the U.S. Department of Education approved disbursement dropped from 91 days in Fall '98 to 38 days in Spring '99.
- By February 9, 1999, the University processed 77% (2,675 out of 3,477) of Spring '99 student financial aid files.

The University respectfully acknowledges and appreciates assistance from the State Auditor's Office and will continue to make the needed improvements.

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