



Lawrence F. Alwin, CPA

Robert E. Johnson Building
1501 North Congress Avenue
Suite 4.224
Austin, Texas 78701

Phone: (512) 936-9500
Fax: (512) 936-9400

August 2000 Follow-Up Report on Rider 5: Texas Southern University Accountability Systems

September 27, 2000

Members of the Legislative Audit Committee:

We continue to note areas in which Texas Southern University (University) has improved accountability systems and controls. Specific results in the areas we reviewed include the following:

- Validated enrollment increases (3.26 percent from Fall 1998 to Fall 1999 and 6.82 percent from Spring 1999 to Spring 2000) exceeded the average for a comparative group of Texas universities.
- The University continued to make progress in several finance and accounting areas, including paying its invoices on time and improving its financial reporting procedures and reconciliation processes.
- University management identified the Office of Facilities Planning and Operations as a high-risk area and contracted with three consultants to improve key facilities operations, manage its construction program, and report on the current condition of its facilities.

While we applaud the University's initiative in addressing facilities and construction, we noted weaknesses in the three contracts. One contract for an estimated \$250,000 was not signed by the University. The two other contracts, totaling approximately \$350,000, did not receive formal legal reviews and lack standard terminology to help protect the University in the event the contractors do not provide the expected services.

We provided management with a letter that suggests improvements to current contracting practices and recommends that two contracts be amended to include appropriate legal clauses and specific deliverables. The letter also details our review of the University's enrollment management and finance and accounting issues.

The State Auditor's Office also reviewed the accuracy of four of the University's performance measures. We plan to report those results in October with results from 22 other universities.

The University President's response indicates concurrence with recommendations in our letter to management and is included as an attachment to this letter. We will consider further monitoring of University contracting systems and controls. If you have any questions please contact Kelton Green, Project Manager, or Carol Noble, Audit Manager, at (512) 936-9500.

Sincerely,

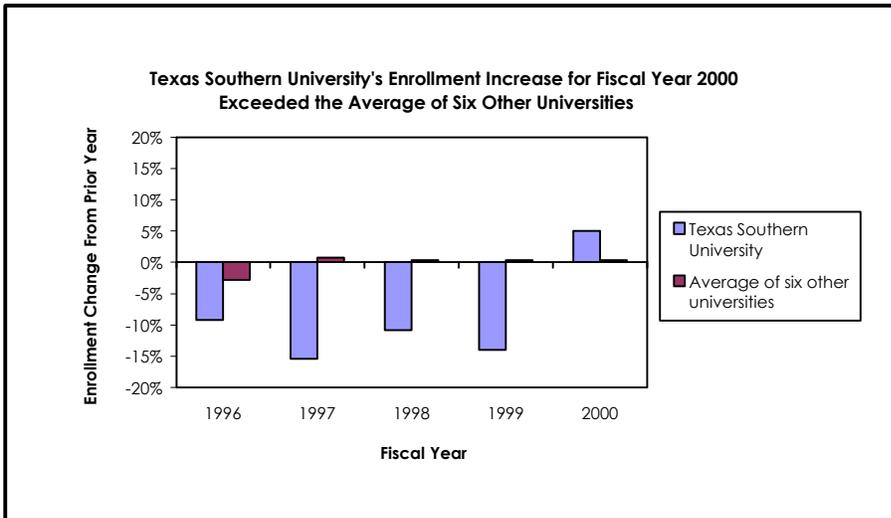
Lawrence F. Alwin, CPA

cbg/Attachment

cc: Members, Texas Southern University Board of Regents
Priscilla Slade, Ph.D., President, Texas Southern University

SAO Report No. 01-003

Enrollment Increase Comparison



We compared enrollment change rates at Texas Southern University to enrollment change rates at the following universities: Stephen F. Austin State University, Prairie View A&M University, Texas A&M University - Kingsville, Lamar University - Beaumont, Sam Houston State University, and University of Houston Downtown.

In addition to validating Texas Southern University (University) enrollment increases for Fall 1999 and Spring 2000, we compared those increases to enrollment changes at six other Texas universities. The University's Fall and Spring increase rates ranked third and first, respectively, when compared to the other schools. As shown at left, the University's enrollment increase for fiscal year 2000 exceeded the average of other universities in our comparison.

Objective, Scope, and Methodology

The objective of this project was to report on the results of our review in the areas of enrollment, finance and accounting, and facilities and construction. The State Auditor's Office (Office) monitors and reports on the University's implementation and maintenance of accountability systems and controls every six months, as required by the General Appropriations Act, Rider 5, Article III-128, 76th Legislature.

For each monitoring period, the Office uses a risk assessment process to limit the scope of the issues reviewed. The Office's risk assessment considers both historical problem areas as well as current areas of risk. The Office further limits the scope of its monitoring by considering other oversight efforts as well as University internal audit work to avoid duplication of assessment effort.

Our methodology included analyses, testing, interviews, and reviews of reports and other pertinent documents regarding the University's accountability systems and key areas of risk.

Management's Response



OFFICE OF THE PRESIDENT
OFFICE: 713-313-7006, TELEFAX: 713-313-1092

TEXAS SOUTHERN UNIVERSITY
3100 CLEBURNE AVENUE • HOUSTON, TEXAS 77004
(713) 313-7011

September 11, 2000

Mr. Lawrence F. Alwin, CPA
State Auditor
Robert E. Johnson Bldg., Ste. 4.224
1500 N. Congress Ave.
Austin, Texas 78701

RE: RESPONSE TO STATE AUDITOR'S REPORT

Dear Mr. Alwin:

We appreciate the State Auditor's knowledge of the continued progress Texas Southern University has made towards improving its accountability systems and controls. It is truly rewarding to note that this follow-up report does not mention a single audit issue that was originally reported in the February 12, 1999, State Auditor's Report. While we have made considerable progress in all areas of the University, we realize that some challenges remain.

In regard to issues noted, we will make sure our payroll reconciliations are signed and dated. In addition, we will make every effort to clear reconciling items in a timely manner. We will also continue to monitor enrollment management initiatives relative to their impact on increased enrollment.

We are pleased to inform you that as of July 17, 2000, the position of General Counsel has been filled. The two contracts cited in your management letter are currently under review in the Office of General Counsel and will be amended to include appropriate legal clauses and more specific deliverables as deemed necessary. We will also review policies and procedures for contracting, make any necessary changes, and ensure compliance in all regards.

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

Sincerely,

Priscilla Slade, Ph.D.
President

PS:erv

AN EQUAL EDUCATIONAL OPPORTUNITY INSTITUTION

ATTACHMENT