

Texas State University - San Marcos

Overall Conclusion

Texas State University - San Marcos's (University) systems and procedures allow the University to report accurate and consistent financial statement information on a summary level to the Legislature, the Texas State University System, and University management. However, the University has failed to resolve a long-standing shortage in a bookstore cash account, despite recommendations from its Internal Audit Department to do so. Our Special Investigations Unit is presently investigating the situation and will issue a separate report. While the account is out of balance by more than \$310,000, it does not significantly affect the University's Annual Financial Report (AFR) because of the summarized nature of university AFRs. In addition, the University did not include contracts totaling \$52 million in its report to the Legislative Budget Board. The Legislative Budget Board provides entities' contracting information to the Legislature and the public.

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On September 1, 2003, the University's name changed from Southwest Texas State University to Texas State University - San Marcos.

The University generally uses state appropriations and local funds in accordance with applicable state laws and regulations, and it has adequate processes to manage its contracts and grants. However, University management does not ensure that its departments and divisions consistently follow University policies and procedures relating to procurement card purchases and contract and grant management. Specifically:

- Management does not enforce its internal policies relating to procurement card purchases. Our testing found that some procurement card users routinely split purchases between transactions to circumvent transaction limits. Splitting purchases creates a risk that the University will not comply with state purchasing laws and regulations. However, we found no evidence that these purchases violated any state laws or regulations.
- Management does not consistently ensure that the appropriate University offices approve and administer all research grants, which University policies require. Grants that are approved and administered by individual departments are not subject to the University's usual monitoring procedures. This situation creates a risk that grant provisions will not be in the University's best interest. For example, we found that indirect cost recovery provisions were not included in these grants, resulting in lost indirect cost revenues of \$191,572 during the grant periods. The lack of these provisions also creates a risk that the University will be financially responsible for expenditures that do not meet grant requirements.

The results the University reported for the key performance measures we reviewed were properly calculated and reasonably supported. The University reported in the Automated Budget and Evaluation System of Texas (ABEST) that it did not meet three of its seven key measures for fiscal year 2002.

Our audit also found that the University does not adequately protect its electronic data and computer hardware. Its password system lacks controls to reduce unauthorized access to computer workstations, and its data centers are not safeguarded from physical threats,



including environmental hazards. The University has not finalized its disaster recovery plan or tested it since 1999.

Summary of Information Technology Review

While the University needs to take action to safeguard its electronic data and computer hardware, the weaknesses we identified did not affect the accuracy of the financial data provided to the Legislature and the Texas State University System for fiscal year 2002. We found that the University's review process and manual controls for its AFR were sufficient to identify significant errors.

The University is implementing a new financial accounting and reporting system, which provides it the opportunity to take advantage of new technology to improve its accounting process. The University's contract for this system totals \$15 million. The University expects to implement the new system in the latter half of fiscal year 2004.

Our audit work covered the following systems:

- College and University Financial System (CUFS) - The University uses CUFS as its primary accounting system.
- Student Accounts Receivable System (SARS) - The University uses SARS to record student billings for its 26,000 currently enrolled students. This information is exported in batches to CUFS.
- Payroll System - The University uses an internally developed payroll system to process all payroll transactions. Payroll transactions are exported in summary batches to the general ledger in CUFS.

We also reviewed the University's controls over access to its systems and equipment and its provisions for preventive maintenance, data backup, and disaster recovery.