

Overall Conclusion

Weaknesses in Prairie View A&M University's (University) fundamental financial processes caused inaccuracies and inconsistencies in some of the information in its financial system for our review period of September 2001 through March 2003 and therefore make that information unreliable. Even though the financial system information cannot be relied on, the University's Annual Financial Report (AFR) and most of the other reports we reviewed are consistent with that information. Some examples of the weaknesses we found are that:

- Fiscal year 2002 AFR amounts for student accounts receivable and deferred revenue were overstated by \$2 million because the University does not routinely reconcile accounts receivable balances in its financial systems.
- Ineffective procedures for collecting accounts receivable have reduced the University's chances of collecting at least a portion of the \$4.2 million in past due or written-off accounts receivable we identified.
- Failure to clear reconciling items from bank reconciliations in a timely manner has caused more than 5,200 checks totaling approximately \$572,000 to remain outstanding for up to 12 years. Most of these checks represent the excess of scholarships, grants, and loans over students' final tuition and fee amounts charged by the University, and resolving them could result in an increase in reported cash available to the University and a decrease in expenses or an increase in revenues if the University is allowed to retain the funds.

Because of the weaknesses in the University's fundamental financial processes, we expanded our testing of financial processes in the other areas we reviewed.

We did not find any indication that the University spent state and local funds for inappropriate goods and services for the period we reviewed. However, we did find instances in which the University did not comply with state laws and regulations or its own policies and procedures related to prompt payment, adequate supporting documentation for expenditures, coding of expenditures, and competitive bidding for non-payroll expenditures.

While the University has effective controls over grant management, it does not have effective controls over goods and services contract management. Forty-five percent of the goods and services contracts we tested contained at least one error. Our overall assessment of the University's goods and services contract management is that it increases the risk that the University will make payments to vendors without the protection of fully executed contracts, will not be protected in any disagreements with vendors, or will execute contracts that are not in compliance with the law or are not in the University's best interest. We did not test the goods and services contracts administered by the University's Physical Plant Administration Department because of an ongoing investigation of that department by the Texas A&M University System's (TAMUS) Internal Audit Department. At the request of TAMUS, our Special Investigations Unit is now assisting in this investigation, the results of which will be reported at a later date.



The University did not correctly calculate the fiscal year 2002 results for four of the five performance measures we reviewed because it did not follow the Legislative Budget Board's (LBB) definitions in the Automated Budget and Evaluation System of Texas (ABEST). Although the results were incorrectly calculated, we found that the results accurately indicated whether or not the University met the performance measure targets. Our review of the University's performance measure initiatives showed that the University appears to be making diligent efforts to improve retention and graduation rates and to develop academic programs that help its students achieve a quality education.

Summary of Information Technology Review

Overall, the information technology systems we reviewed contain adequate controls for recording, processing, and using financial information. Although we identified issues that indicate areas for improvement in systems and processes for grants management and accounts payable, we did not find any indication that those system issues adversely affected the accuracy or consistency of the University's financial information for the period we reviewed. We reviewed three systems:

- Financial and Management Information System (FAMIS)
- Student Information System (SIS)
- Budget Payroll Personnel System (BPP)

Because the Texas A&M University System (TAMUS) administrative data center on the Texas A&M University campus houses the production computers that process and store information in FAMIS and BPP, we also evaluated the physical security controls over that facility to identify any control weaknesses that would compromise the University's ability to support its financial accounting and reporting functions. We identified issues regarding physical security and change management. See Chapter 5 for additional information.