A Financial Review of

The University of Texas at San Antonio

Overall Conclusion

The University of Texas at San Antonio (University) had systems and procedures in place to report accurate and consistent financial information in its fiscal year 2002 Annual Financial Report (AFR). It has benefited from knowledgeable and experienced financial management. However, inadequately documented procedures for preparing the AFR and incomplete supporting documentation for some amounts in the AFR create a risk of inaccurate or inconsistent reporting in the event of staff turnover or unexpected absences. Security and access control weaknesses in the University's information technology and systems also increase the risk of inaccuracy, inconsistency, and fraud in future financial transactions and information. The University's rapid growth and expansion, which are expected to continue through at least 2015, heighten the significance of these risks.

> ### The University of Texas at San Antonio
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> The University has more than 100 degree programs, and it has eight new doctoral programs in development. It has been one of the State's fastest-growing public universities for the past decade. With more than 24,000 students enrolled in the fall of 2003, it is the third largest of the nine components in The University of Texas System. For fiscal year 2003, the University received $32.9 million in sponsored research funds from federal, state, and private sources (a 20 percent increase from the previous year). It is progressing toward becoming nationally classified as a Doctoral/Research University-Intensive.
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> Fifty-nine percent of the University's students come from groups underrepresented in higher education, and many are first-generation college students. From 1997 to 2001, the proportion of Hispanic and Black students enrolled increased more rapidly than the statewide averages for those groups in other Texas public colleges and universities.
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> Sources: The University's Web site (http://www.utsa.edu/about), communications from Vice President for Student Affairs, and *Texas Public Universities Data and Performance Report,* Texas Higher Education Coordinating Board, May 2003.

With the exception of noncompliance in the use of procurement cards, the University generally uses state and local funds in accordance with applicable state laws and regulations. Some employees used procurement cards to purchase items for the University, such as computers, cellular phones, and cameras, that are required to be purchased through the formal purchasing process instead of with a procurement card. We also noted that some employees split purchases between transactions to avoid exceeding the dollar transaction limit. Procurement card purchases made by 226 cardholders totaled $1.4 million during the fiscal year.

The University adequately controls the establishment and execution of contracts. However, it is not able to generate a complete list of its current contract obligations without spending an inordinate amount of time and effort. As a result, it is not able to analyze its total current contract obligations or report completely on them to the Legislative Budget Board as required by law. We identified 120 contracts active during fiscal year 2003, totaling $86.3 million, that were not reported to the Legislative Budget Board as required.

The University currently lacks adequate data for reporting on two key performance measures: the Percent of Baccalaureate Graduates Who Are First Generation College Graduates, and the Certification Rate of Teacher Education Graduates. These two measures are especially important for the University as it emerges as one of the State's

largest public higher education institutions with a majority enrollment each year of historically underrepresented students.

Summary of Information Technology Review

Although the University's systems and procedures allowed it to provide accurate and consistent financial information in its fiscal year 2002 AFR, security and access control weaknesses in its information technology and systems could jeopardize the accuracy and consistency of future financial information.

Our tests of the University's central accounting system, *DEFINE, indicate that the control points authorizing the entry and required review and approval of financial data and transactions are reasonable and functioning appropriately. However, the University's informal processes for establishing electronic document-routing and approval sequences are no longer adequate given the University's growth and decentralization. These required electronic routing and approval sequences in *DEFINE ensure segregation of duties and review and approval of financial data and transaction entries by authorized people only. In addition, management is not required to periodically review, modify as needed, and reapprove routing sequences and authorizations for entry, review, and approval of electronic financial information.

We also noted the following weaknesses in the University's network security and access controls:

➢ A weakness in the University's network security increases the risk of unauthorized access to the University's financial and student information. The University informed the auditors of this weakness during fieldwork; however, as of December 2003, the University had not yet corrected it.

➢ The University has not enforced its adequate password requirements for access to its computer network and to its student information system, Banner. This also increases the risk of unauthorized entry, threatening data quality and creating a potential for fraud.

➢ Files of backed-up data are stored in non-fire-resistant cabinets, which increases the risk of loss of essential financial and student information.

➢ The University cannot ensure that it will be able to resume its operations in the event of a disaster because it has not tested its disaster recovery plan.