

# Table of Contents

## A Follow-Up on the Management Control Audit at Texas A&M University - Commerce

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October 1996

### Key Points of Report

<b>Executive Summary</b> .....	1
<b>Issues and Recommendations</b> .....	5
Section 1:	
<b>Property, Financial, and Human Resource Management Systems Require Additional Attention</b> .....	5
Discrepancies in Property Inventory Continue to Exist .....	5
Efforts to Strengthen the Human Resources Function Should Be Completed	6
Financial Resource Controls Have Been Strengthened, but a Weakness Regarding Control Over Cash Has Not Been Resolved .....	8
Section 2:	
<b>Improvement in the University's Information Systems Support Functions Are Still Needed</b> .....	8
Section 3:	
<b>Management Must Continue to Address Other Critical Considerations</b> .....	10
The University Has Transferred to the Texas A&M University System .....	10
A New Automated Student Information System Is Being Brought On-Line to Meet University Requirements .....	11
Derivatives Have Been Sold .....	11
<b>Appendices</b>	
1 - Objective, Scope, and Methodology .....	12
2 - Agency Profile .....	15
3 - Detailed Status of Prior Recommendations .....	16

# Key Points of Report

## A Follow-Up on the Management Control Audit at Texas A&M University - Commerce

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### Overall Conclusion

The East Texas State University Board of Regents and the East Texas State University/Texas A&M University - Commerce (University) management have made progress in addressing recommendations from the State Auditor's report, *Management Controls at East Texas State University* (SAO Report No. 95-140, July 1995). However, previously identified issues in the areas of property inventory management, human resources, and information systems support functions must be addressed.

### Key Facts and Findings

- The University must address some persistent problem areas related to property inventory, information systems risk management, and consolidation of training. Specifically, management has not properly safeguarded assets by completely accounting for all property inventory. Further, previously identified weaknesses in the University's Computer Center such as disaster recovery and computer access controls still require strengthening. Finally, University management has not taken steps to vest all University-wide training responsibility in the Human Resources Department.
- Areas where the University has made progress include human resource management, information systems asset management, and accounting controls. For example, a comprehensive employee performance appraisal function is being established and implemented. Computer Center staff has made gains in strengthening physical access controls and improving customer service. In addition, a number of steps have been taken to strengthen accounting controls, including controls over cash.
- Significant challenges lie ahead for the Texas A&M University System (System) Board of Regents and Texas A&M University - Commerce management. The recent transfer of the University to the System poses a new array of leadership considerations for the System's Board of Regents. Monitoring of the installation of a new Student Information System is also an important issue which will require continued attention in the near term and beyond.

### Contact

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## Office of the State Auditor

Lawrence F. Alwin, CPA

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*This management control audit was conducted in accordance with Government Code, § 321.0133. The former East Texas State University is referred to as Texas A&M University - Commerce throughout this report except when discussing an entity that only existed under the former East Texas State University, such as the Board of Regents.*

## Executive Summary

The East Texas State University Board of Regents and East Texas State University/Texas A&M University - Commerce (University)<sup>1</sup> management have made progress in addressing recommendations from the State Auditor's report, *Management Controls at East Texas State University* (SAO Report No. 95-140, July 1995). However, certain weaknesses persist in fixed asset, human resource, electronic data processing, and financial management systems which can potentially limit the University's efficiency and effectiveness. The University's progress is evidenced by improved interaction between the Board and the Internal Audit Department, strengthened physical controls over computer resources, and development of a University-wide personnel appraisal system. These latter accomplishments, along with continued efforts to resolve weaknesses, will help provide greater assurance that Texas A&M University - Commerce is better using its funds to provide educational opportunities for the citizens of East Texas.

### Property Management System Requires Additional Attention

Controls over and safeguarding of the University's property inventory remains a concern. These controls have not been applied consistently over time, increasing the risk of theft, loss, damage, or misuse of assets. An initial fiscal year 1996 physical inventory revealed that property worth \$461,000 could not be located. Although the University resolved a prior audit finding by annually conducting a physical inventory,

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<sup>1</sup> The former East Texas State University is referred to as Texas A&M University - Commerce throughout this report except when discussing an entity that only existed under the former East Texas State University, such as the Board of Regents.

recommended actions to enhance other property controls have been delayed for as long as one year.

### Measures to Improve Human Resource Management Have Been Implemented But Additional Steps Are Required

The Human Resources Director has taken aggressive action to develop and implement a performance appraisal system for support, professional/administrative, and executive staff. Performance appraisal training for all supervisory staff was completed in February of 1996.

However, University management has not taken steps to vest all University-wide training responsibility in the Human Resources Department. Training is crucial to ensure continued productivity and professional growth and advancement of employees. Although Equal Employment Opportunity functions have been merged with other human resource functions under one Director, other training events are not managed directly by the Human Resources Department.

Texas A&M University - Commerce is required to update its human resources policies and procedures to ensure compatibility with Texas A&M University System policies as part of the transition to the Texas A&M University System. Although many of the updated Texas A&M University System human resource policies were distributed and available as early as September 1995, the University did not initiate the update process until September 1996.

## Executive Summary

### Improvements in the University's Information Systems Support Functions Are Still Needed

A number of long-standing recommendations concerning the University's automation function have not been addressed. Computer Center managers and analysts have the capability to access operational programs, to update live financial and administrative data, and to view individual passwords. Ineffective access controls increase the risks of unauthorized system use and improper information processing.

University management has not taken steps to establish a campuswide computer automation steering committee. Also, computer automation and performance reports are not being prepared and distributed to management on a routine basis.

Other recommendations, although partially addressed, also require additional management attention. For example, a system development life cycle methodology is in draft, but lacks certain key elements. A current, comprehensive disaster recovery plan has not been completed although backup and recovery testing of mainframe systems has been performed.

Computer Center customer service appears to have improved and efforts are ongoing to maintain this trend. Physical access controls and controls over inventory assets in the Computer Center have been strengthened and additional staff members have been hired to address work backlogs. In addition, required reports have been submitted to the Texas Department of Information Resources.

### Management Must Continue to Address Other Critical Considerations

The University became part of the Texas A&M University System (System) on September 1, 1996. The East Texas State University Board of Regents has disbanded and leadership and oversight of the University has been assumed by the System's Board of Regents. This oversight and leadership, as well as that of the University's management, will be important as the University makes the transition and continues its efforts to address ongoing issues and new initiatives.

A new Student Information System (SIS) has been purchased by the University and implementation is currently in progress. Successful implementation of this system is important to both University management and academicians because it will provide accurate and timely information necessary to properly manage the student body of the University. The System's Board of Regents and University management should monitor the progress of the project closely to insure that the new SIS adequately fulfills the needs of the users.

### Derivatives Have Been Sold

In the December 1994 report, *A Briefing Report on Derivative Investments by Texas State Entities* (SAO Report No. 95-035), the State Auditor's Office reported that the majority of the University's investment portfolio was invested in derivative investments. As a result of the merger into the System, the System's Office of Treasury Services began management of the University's investment portfolio. In early October 1996, liquidation of all the derivatives was completed and Treasury Services reinvested the proceeds in the System's Cash

## Executive Summary

Concentration Pool. Using an investment plan coordinated between the University and Treasury Services, it is expected that the loss realized on the sale of the derivatives can be recovered over time, while generating earnings to help fund University operations.

### Summary of Audit Objective and Scope

The objective of this audit was to evaluate the progress of University management in addressing recommendations made in SAO Report No. 95-140, *Management Controls at East Texas State University*.

The scope of this audit was limited to following up on findings and

recommendations included in the original report.

Our work focused on the four major areas of prior concern: responsiveness in addressing previously identified weaknesses in management controls, monitoring and protection of resources, improvements in support and monitoring functions, and other critical considerations such as transition to the Texas A&M University System and implementation of a new automated Student Information System. Specific accomplishments and areas for improvement related to these areas are presented in the body of the report. Appendix 3 contains a status summary for each of the original report's recommendations.

## Issues and Recommendations

Section 1:

### **Property, Financial, and Human Resource Management Systems Require Additional Attention**

A number of identified weaknesses related to property inventory, financial management, and human resources have existed for several years.

Section 1-A:

### **Discrepancies in Property Inventory Continue to Exist**

A complete accounting of all property inventory has not been completed, and actions related to previous audit recommendations have been delayed or remain open. Specifically, we noted the following:

- There were 220 exceptions (inventory items not accounted for), documented with a book value of \$461,000, after the most recent initial inventory. Also, the University was unable to provide documentation concerning the resolution of 72 missing items with a book value of \$98,000 identified in our previous audit.
- The University's updated Action Plan stated that a new Property Manager had been assigned in December 1995, but this manager did not actively assume the new position until July 1996.
- In our previous audit we recommended that a written communication from the University President be sent to all departments, reminding them of the importance of adequate inventory procedures. Although this memo was drafted, it was never distributed.

The University Bookstore inventory system has been improved upon but still lacks many upgrades such as bar coding/scanning

capability and a textbook management package, which are considered necessary for minimum acceptable performance according to University standards. The latest bookstore inventory resulted in a net variance of \$26,307 (shrinkage), or 4 percent of total inventory. Although this is an improvement over the net reported variance of 35 percent (attributed to a bug in the University's automated bookstore inventory system in January of 1995), additional system modifications are still needed to pinpoint the cause of inventory losses.

### Recommendations:

The University should take immediate steps to resolve all outstanding property inventory discrepancies and adjust its property inventory accordingly.

The University should implement necessary bookstore inventory system upgrades in order to establish a minimum acceptable level of control over the inventory.

### Management's Response:

*The University is committed to a reliable property inventory management process. The President has sent a letter to each account manager reminding them of the importance of adequate inventory procedures. The Property Manager is now overseeing step two of a four step process used to complete the annual property inventory.*

*When the audit team was here completing field work, step one of the process was in progress. This process includes inventory assistants working with departmental staff to complete the departmental inventory process. At this point, the list of "missing items" produced is very tentative since follow-up work has not been completed by either the*

## Issues and Recommendations

*department head or Property Manager. It was during this step that the list of 220 exceptions totaling \$461,000 was identified.*

*During step two, the Property Manager returns a list of missing items to each departmental custodian for resolution of "missing items." Departmental custodians respond positively to this process, making an extra effort to locate these items. During the current cycle, after step two, the "missing items" list has been reduced to 29 items with a value of \$51,206.*

*During the third step, the Property Manager will check the list of missing items against surplus inventories, salvage records, and theft reports. The final step is recording missing items in SPA to correspond with the final list of missing items. It is expected that step four will be completed by November 30. At this point, a report will be prepared identifying all missing property by the departmental custodian and forwarded through the Property Manager's chain of command to the University Administration.*

*Following is a summary of the status of the 72 items totaling \$98,000 identified in the previous audit and cited in this finding:*

29	\$36,583	<i>Deleted from inventory through SPA Procedures</i>
12	\$12,665	<i>Missing Deletion Requested and SAO Approved for deletion</i>
11	\$12,252	<i>Missing Deletion Requested and Awaiting SAO Approval</i>
9	\$14,328	<i>Stolen</i>
1	\$8,235	<i>Error in value recorded in inventory listing</i>
2	\$4,564	<i>Retired to Surplus</i>
1	\$1,700	<i>Reported Missing, Holding for Future Action -</i>
2	\$1,430	<i>Deleted from Inventory through SPA Procedures, Below Capital Threshold</i>

5    \$6,648    *Still Under Review*

*Based on ongoing reviews of the system, the automated bookstore inventory management system is presumed to be reliable. Bookstore staff will continue to monitor system reliability. In addition, Bookstore administrative staff has identified functions which will enhance the system's effectiveness and these will be addressed as computing resources allow.*

Section 1-B:

### **Efforts to Strengthen the Human Resources Function Should Be Completed**

The University is in the process of establishing a performance appraisal system for all employees. An employee performance appraisal form has been developed for support, professional/administrative, and executive staff. Performance appraisal training and implementation related to support staff was completed in February 1996. Appraisals for professional/administrative and executive staff are planned for completion in February 1997.

The University's human resources staff has established a consolidated training function within the Human Resources Department which addresses personnel and Equal Employment Opportunity issues. However, certain other training events which have University-wide application, such as computer software training, are scheduled and conducted without being fully coordinated with the Human Resources Department. Without centralized oversight of training, there is no assurance that uniform policies are used to evaluate employee development needs as well as the impact of training provided.

Update of the University's human resources policies and procedures to ensure compatibility with Texas A&M University

## Issues and Recommendations

System (System) policies is required as part of the transition. While the University planned to begin the update process in fiscal year 1997, many of the System's human resource policies were distributed as early as September 1995. Updating the existing policies and procedures in a timely manner accomplishes several objectives. First, it will help provide lead time for any new policies or procedures that may require a lengthy implementation period or a significant amount of coordination. Also, identifying all System compliance issues as soon as possible may help avoid unintentional noncompliance. Finally, as a morale consideration, staff should be informed as soon as possible as to how the merger will effect them and their job responsibilities.

### Recommendation:

Federal law, state law, and good management practices dictate that comprehensive, current human resources policies be developed and maintained. For the reasons mentioned above, it is also important that University regulations be updated to comply with System policies as soon as possible. We recommend that the University continue to review, develop, and update its human resource policies. Policies for which related current System policies exist should be updated immediately.

A fully coordinated training and development program optimizes employee productivity, enhances professional and personal development, and assists the entity in accomplishing its goals and objectives. In order to strengthen the University's training function we recommend that the Human Resources Department assume responsibility for all training which has University-wide application.

### Management's Response:

*The President has appointed a committee, comprised of the three vice presidents and the Director of HWEEEO, to develop a strategy to centralize the University-wide training function under the auspices of the Department of Human Resources. This centralized oversight will assure that the training and development needs of the University are being met by:*

- *Conducting an annual survey to determine training needs,*
- *Scheduling appropriate meeting times to ensure maximum participation,*
- *Notifying employees of the date, time, and place of workshops,*
- *Keeping a record of participants,*
- *Distributing an evaluation instrument to allow formal input from the participants,*
- *Rating the content of the workshop and the presenter,*
- *Acknowledging employee attendance by awarding a certificate, which will include the name, date, and title of workshop.*

*It must be noted that some of the training offered will be applicable to a limited number of people. In this case, the Human Resources department will only be involved in scheduling and documenting the event.*

*Since the merger with the Texas A&M University System, the University has adopted all of the human resource policies of the System. The President has appointed a committee to ensure that, if a "rule" needs to be developed for a particular system*

## Issues and Recommendations

*"regulation," that this process will be completed as soon as possible. The Committee will be meeting on a regular basis until the task is completed.*

Section 1-C:

### **Financial Resource Controls Have Been Strengthened, but a Weakness Regarding Control Over Cash Has Not Been Resolved**

Controls over accounting processes and cash handling have been improved. Complete policies and procedures have been developed and documented for activities which take place in the areas of payroll, accounts payable, and accounts receivable. In addition, compensating controls are in place to mitigate a lack of separation of duties regarding payroll personnel who process personnel action forms and who also perform payroll reconciliations.

External grant fund expenditure controls have been strengthened. A secondary review of these expenditures to ensure compliance with grant instructions is being performed. Guidelines have been developed for external grant fund expenditures; these guidelines are in the possession of all grant administrators.

In our previous report, we identified a weakness involving the chief accountant's access to cash. This individual has access to vault cash, yet is also responsible for preparing a monthly operating report which includes all cash receipts. Having access to cash and responsibility for recording of cash balances are not consistent with a strong cash management system requiring adequate separation of duties.

#### Recommendation:

Implement a procedure to ensure the person who has access to or custody of cash is not also involved in the preparation of operating

reports. If impractical for a clear separation of duties to be established, implement a procedure for periodic monitoring by a third party employee who does not report directly or indirectly to the chief accountant.

#### Management's Response:

*The vault cash fund maintained by the Chief Accountant has been closed.*

Section 2:

### **Improvements in the University's Information Systems Support Functions Are Still Needed**

Not all outstanding issues relating to the University's management information system have been fully addressed; opportunities exist for further improvement.

Weaknesses identified in prior audits still exist:

- Several Computer Center managers and analysts have the capability to update financial and administrative data as well as view passwords. Ineffective access controls increase the risk of improper information processing.
- A campuswide steering committee has not been formed to set University electronic data processing policy, prioritize the use of existing computer resources, and develop plans for the acquisition and implementation of new technology.
- Computer utilization and performance reports are not being prepared and distributed to management on a routine basis. An effective mechanism is needed to continuously monitor hardware

## Issues and Recommendations

performance and capacity so that needed efficiency and productivity improvements can be made on a timely basis.

Actions addressing other prior audit recommendations are ongoing but not complete:

- A System Development Life Cycle methodology is in draft but it has not been approved and implemented.
- A current, comprehensive disaster recovery plan has not been completed although development is in progress and backup and recovery tests have been performed. A University-wide risk analysis has been completed, but it does not provide detailed response procedures for threats such as fire, or a reference as to where the response procedures can be found.

Steps have been taken to completely address some of the recommendations from prior audits:

- Customer service has improved and efforts are ongoing to continue this positive trend.
- Physical access controls and controls over inventory assets have been adequately strengthened.
- The University's Biennial Operating plan has been prepared and submitted to Department of Information Resources.
- Four additional programmers have been hired to improve programming support while an Assistant to the Director of the Computer Center has been added to help with the administration and management of the Computer Center.

Management is making continued progress towards addressing the academic technical support needs of the University. Examples of ongoing technological initiatives include construction of compressed video classrooms and completion of a video production classroom. A draft plan for additional capability has been developed by the Vice President for Academic Affairs. This Technology Plan includes goals as well as an action plan segment that addresses six primary need categories related to academic technical support.

### Recommendations:

The University's automated information systems require continuing management attention in order to support the University's mission and provide information for decision-making and reporting. We recommend that the University take action to fully respond to all outstanding audit recommendations.

Adequate academic technical support is crucial to the success of the University and its students in society's rapidly expanding technological environment. The University should adopt the Technology Plan (or similar plan) proposed by the Vice President for Academic Affairs and should continue its efforts to meet academic technical support needs.

### Management's Response:

*The University will continue to take actions to resolve all outstanding audit issues. Significant progress has been made even since the end of field work on the audit follow-up. Most financial information will be removed from the mainframe and transferred to mainframes at the Texas A&M System as transition is completed, providing access controls inherent in those centralized systems.*

## Issues and Recommendations

*For the systems remaining on TAMU-C mainframes, of the nine programmer/analyst positions budgeted for Computing, Telecommunications, and Information Services (CTIS), only the two applications managers have access which would allow update to financial and administrative data. After implementation of the new SIS is complete, the Director plans to disable the software which is used to update financial and administrative data by programmer/analysts. The program would then be enabled as required for limited use upon determination by the Director.*

*Password access is limited to the degree considered operationally feasible with the current operating system. One individual has primary responsibility for password administration. Another individual serves as a backup. Other than these two individuals, the Director and machine room operator have access to the passwords by nature of design of the operating system.*

*CTIS management constantly reviews computer performance of computer systems looking for problems which affect computer response time. CTIS has developed modifications to locally developed and purchased systems which allows for the visual monitoring of computer systems performance. The Vice President for Business and Administration routinely monitors online mainframe computer utilization and performance data.*

*The current draft of a system development life cycle methodology was developed based on information currently available to us. The draft document is to be completed after review of additional information provided this week in a meeting with staff in the State Auditor's Office. The target date for completion of the disaster recovery plan is December 1. The risk analysis will be amended to include response procedures for fire and flood by November 1.*

*The University administration will be studying the management oversight process for CTIS to insure that CTIS resources are managed to effectively address University priorities.*

*The technology plan in place at the time of the original audit has been fully implemented. The technology plan identifying six primary need categories that was referred to in this follow-up audit report is a second plan developed by academic affairs after the original audit was completed. The University will continue to address academic technical support needs to the extent its available resources will permit. In that regard, a special item request has been submitted to the Legislative Budget Board for technical resource funding for the next biennium.*

Section 3:

### **Management Must Continue to Address Other Critical Considerations**

In addition to pursuing the noted recommendations, University management must be prepared to address issues which, though not identified as weaknesses, pose formidable challenges to efficient and effective operations of the institution.

Section 3-A:

### **The University Has Transferred to the Texas A&M University System**

The East Texas State University Board of Regents was abolished and transition to the Texas A&M University System was effective on September 1, 1996. University management has continued its efforts to meet the various challenges associated with this event, such as the implementation of the Financial Accounting and Management Information System. However, it is essential that University management continue to

## Issues and Recommendations

actively communicate its needs and priorities to the System's Board of Regents and staff so that assistance can be provided and oversight assured.

Section 3-B:

### **A New Automated Student Information System Is Being Brought On-Line to Meet University Requirements**

A decision was made by the University to replace the student information software which was in use when we conducted our previous audit. The University experienced a number of ongoing problems with the old application which was procured in the summer of 1990 and placed in service in the Fall of 1993. In March 1995, AMS, the system contractor, informed the University that they were outsourcing the system maintenance contract to a third party. This resulted in an annual maintenance fee which was more than double the fee then being paid. Furthermore, updates and enhancements would have to be converted in-house in order to be compatible with the University's mainframe computer operating system.

The implementation of the new Student Information System, known as IA+, is currently on schedule. Procurement was performed through a cooperative of Texas higher educational institutions formed by

Director of Information Resources. This new system is currently installed and several components are running parallel to the AMS system. According to Project Implementation Team staff, two of three Financial Aid components are in the production phase with implementation of the third and final component in progress. Also, two of three Student Record components are in production. Implementation of the third (Grading and Transcripts) is also in progress.

Section 3-C:

### **Derivatives Have Been Sold**

In the December 1994 report, *A Briefing Report on Derivative Investments by Texas State Entities* (SAO Report No. 95-035), the State Auditor's Office reported that the majority of the University's investment portfolio was invested in derivative investments. As a result of the merger into the System, the System's Office of Treasury Services began management of the University's investment portfolio. In early October 1996, liquidation of all the derivatives was completed and Treasury Services reinvested the proceeds in the System's Cash Concentration Pool. Using an investment plan coordinated between the University and Treasury Services, it is expected that the loss realized on the sale of the derivatives can be recovered over time, while generating earnings to help fund University operations.

## Appendices

Appendix 1:

### **Objective, Scope, And Methodology**

#### **Objective**

Our audit objective was to determine what actions had been taken in response to our audit, SAO Report No. 95-012, *Management Controls at East Texas State University*, as well as other audits performed by the State Auditor's Office and the University's Internal Audit Department.

#### **Scope**

The scope of this audit was limited to following up on findings and recommendations included in the original report and other reports cited above. Our work focused on the four major areas of prior concern: responsiveness in addressing previously identified weaknesses in management controls, monitoring and protection of resources, improvements in support and monitoring functions, and other critical considerations such as transition to the Texas A&M University System and implementation of a new automated Student Information System. Appendix 3 contains a status summary for each of the original report's recommendations.

Consideration of University executive management and East Texas State University Board of Regents oversight included a review of:

- The status of efforts to address known weaknesses in management controls previously identified by University internal auditors and the State Auditor's Office
- Discussion items from Board of Regents meeting minutes during 1995 and 1996

- The information presented to the Board of Regents by University executive management and the University internal auditor

Consideration of the University's information resources management included reviews of:

- Prior audits (both University internal audits and State Auditor's Office audits) of the University's Computer Center and the status of efforts to implement recommendations from those audits
- The implementation and current status of the University's new automated Student Information System
- University efforts to address academic computing needs

Consideration of the University's management of property included a review of:

- Departmental property inventories
- University controls over master keys and property theft information
- Prior audits (both University internal audits and State Auditor's Office audits) regarding property

Consideration of the University's human resources management included a review of:

- The current status of University human resources policies
- The University's training and performance evaluation systems

Consideration of the University's accounting controls included a review of:

- Controls in place over cash, accounts receivable, accounts payable, and payroll

## Appendices

- Prior University internal audit reports regarding accounting controls
- Controls in place over external grant fund expenditures

Consideration of the University's internal audit function included a review of:

- Information supplied by internal auditors to the East Texas State University Board of Regents' Campus Planning, Finance, and Auditing Committee and full Board
- The manner in which changes to the internal audit plan are made

Consideration of the University's strategic planning included a review of:

- The University's strategic planning methodology
- Division progress in implementing the University's strategic planning methodology

Consideration of other critical considerations for which the University must be prepared included a review of:

- The University's efforts to address its investment in derivatives
- The transfer of the University to the Texas A&M University System

### Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, and analyzing and evaluating the information against pre-established criteria.

### Information collected:

- Interviews conducted with selected members of the University's Board of Regents and University management and staff
- Documentary evidence such as:
  - Various management reports and internal audit reports issued during the past two years
  - Board Minutes
  - University policies and procedures
  - University plans, goals, budgets, and payroll records
  - University property inventory records

### Procedures and test conducted:

- Review of University human resources policies
- Review of allowability of grant fund expenditures from the University's Center for Professional Development
- Review of financial ratio analysis during the past five years
- Review of cash counts conducted in the University's Fiscal Office during 1995 and 1996
- Review of University accounting policies and procedures

### Analysis techniques used:

- Trend analysis
- Ratio analysis
- Selection and testing of random samples
- Comparison of policies and procedures against criteria

## Appendices

### Criteria used:

- Federal and state laws regarding human resources, property inventories, and management information systems planning
- External grant instructions
- University strategic planning and internal audit policies
- State Auditor's Office Accountability Project Methodology (general and specific criteria)

### Other Information

Fieldwork was conducted from June 17, 1996, through July 9, 1996. The audit was performed in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

The audit work was performed by the following members of the State Auditor's staff:

- Bradley E. McMahon, CPA (Project Manager)
- David V. Launey
- Catherine A. Smock, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

## Appendices

Appendix 2:

### Agency Profile

Texas A&M University - Commerce is a multi-purpose, regional university dedicated to meeting the liberal and professional education needs of the citizens of Northeast Texas and beyond. Its primary goals are:

- Provide high quality and affordable educational programs for a qualified, diverse student body that will incorporate learning experiences which prepare students and graduates to participate fully in social, educational, economic and global opportunities.
- Recruit and retain qualified, effective, and diverse personnel at all levels through opportunities for advancement and continuing development, competitive salaries, and rewards for exemplary services.
- Continue to improve the University's efforts in achieving the state-mandated goal of 30 percent of business with certified Historically Underutilized Businesses (HUBs).
- Ensure effective and efficient utilization and growth of all financial resources for academic programs and student services.
- Provide, protect and enhance the institutional properties and facilities, minimize operational expenditures and provide a safe environment.

- Enhance, develop, and maintain collaborative relationships with other educational entities, businesses, foundations and policy-making entities to provide access to new knowledge and professional expertise, and to promote the economic well-being of the State.

The University serves Texas students, out-of-state students, and international students. It provides undergraduate and graduate programs for selected professional and pre-professional majors, and a range of majors in the liberal arts, fine arts, and sciences. More than 50 major areas of study in 26 academic departments are offered by the University's three colleges (Arts and Sciences, Business and Technology, and Education), its Graduate School, and its Division of Continuing Education.

The Texas A&M University - Commerce complex is a multi-campus university with a main campus of approximately 8,000 students in Commerce, an upper division and graduate campus in Texarkana serving approximately 1,300 students in the field of education and business, and the Metroplex Center in Mesquite providing graduate courses to approximately 1,500 students. Texas A&M University - Commerce covers 1,883 acres of land in and around Commerce. The University's learning facilities range from formal classrooms to its specialized agriculture complex on the University Farm and Ranch.

# Appendices

Appendix 3:

## Detailed Status of Prior Recommendations

The East Texas State University Board of Regents and the Office of the Vice President for Business and Administration have made progress in implementing recommendations in the State Auditor's report, *Management Controls at East Texas State University* (SAO Report No. 95-140). The table below presents the status of implementation for each recommendation contained in that report.

C = Complete  
 P = Partially Completed  
 N = Not Addressed

RECOMMENDATION	STATUS			REMARKS
	C	P	N	
<b>Improve accountability and the timeliness with which known weaknesses in management controls are corrected. Enhance the oversight of the University's Board of Regents.</b>				
a. The University's Board of Regents should hold University management accountable for addressing known weaknesses in management controls.	X			According to minutes and interviews, the Board has been briefed regularly on the status of recommendations.
b. The minutes from Board of Regents meetings should be expanded to include greater detail regarding the specific information presented to board members. In addition, the administration should develop a plan to ensure that issues discussed at board committee meetings are recorded.	X			Minutes are more detailed. Discussion items are being recorded.
c. The University's internal auditor should provide all of the individual reports to the members of the University's Board of Regents. In addition, a presentation from the University internal auditor's should be included on the Board Campus Planning, Finance, and Auditing Committee's agenda each quarter.	X			Internal audit has been providing full reports to the Board. Internal audit is given the opportunity to appear on the agenda for all board meetings
d. The University's Business and Administration Division should comply with the University's strategic planning policy and update its divisional strategic plan. The divisional strategic plan should incorporate plans for addressing known weaknesses in management controls. The Division should be held accountable for the prompt implementation of this plan.	X			The University's Business and Administration Division has updated its divisional strategic plan.

# Appendices

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RECOMMENDATION	STATUS			REMARKS
	C	P	N	
<b>Insure that the University is in compliance with the requirements of the Texas Government Code and state policies.</b>				
a. Resolve all outstanding property inventory discrepancies and adjust its property inventory accordingly. In addition, persons responsible for property which cannot be located should be held properly accountable for this property.			X	Item discrepancies remain unresolved. University provided us with a list of unresolved items with probable disposition, but auditors could not verify its accuracy.
b. The University should ensure that all departments continue to conduct annual inventories as required by state law. The University president should send a written communication to all departments to remind them of the importance of this requirement. The University should take steps to ensure that staff in departments have been officially designated as being responsible for and accountable for the property in their departments.		X		Inventory has been taken for all departments except physics. A letter from the president has been drafted but has not been sent.
c. The University should implement controls to ensure that the campus bookstore inventory system is reliable.		X		Improvements in the inventory system have been implemented but a variance of \$26,307 (4 percent of total inventory value) still existed between the physical count and latest inventory report.
d. The University should review its current distribution of master keys to ensure that such keys are issued only to those employees requiring master keys. The University should also conduct a cost-benefit analysis to determine whether re-keying the locks or instituting a new lock system on campus would be beneficial.	X			Master keys have been issued only to those who need them. Although a cost benefit analysis has not been performed, University management feels it would be too expensive to re-key all locks on campus.
e. The University should develop, document, and implement employee check-out policies and procedures which outline requirements for the return of University keys and property.	X			Key check-out/check-in policies and procedures are in use. Key turn-in is part of a formal checkout policy for all employees whose employment with the University is ending.

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RECOMMENDATION	STATUS			REMARKS
	C	P	N	
<b>Enhance accountability with regard to the cash maintained at the University.</b>				
a. The University's Fiscal Office should develop, document, and implement policies and procedures to ensure that cash is adequately safeguarded. The University should ensure that these policies and procedures cover who has access to cash, how frequently the cash is counted, who will perform the cash count, how staff will be held accountable for the safeguarding of cash, and the proper separation of duties regarding access to cash and the preparation of monthly operating reports.	X			Policies and procedures have been developed, documented, and implemented.
b. The University's Fiscal Office should count the cash in its vault on a daily basis, promptly resolve discrepancies, and properly hold staff accountable for these discrepancies.	X			Daily cash counts are ongoing. No shortages were noted.
<b>Improve controls in the University's accounting processes.</b>				
a. Develop, document, and implement complete policies and procedures for all of the activities which take place in the areas of payroll, accounts payable, and accounts receivable.	X			Policies and procedures have been developed, documented, and implemented.
b. Establish proper separation of duties in its payroll function. Specifically, staff processing personnel action forms should not also have dual responsibilities in payroll reconciliation (and vice versa).	X			The chief accountant has access to cash and is also responsible for completing the monthly operating statement. Adequate controls exist to compensate for lack of separation of duties between staff who complete personnel action forms and reconcile payroll.
c. When the University's Accounts Payable supervisor resolves discrepancies uncovered during the reconciliation of checks and warrants with vouchers, this individual's immediate supervisor should sign off on the resolution of these discrepancies.	X			Supervisor signing off on discrepancies noted during reconciliation of checks/warrants to vouchers.
d. When processing payments associated with invoices for services, Accounts Payable staff should document that they performed this verification.	X			Staff is documenting their action as stated in the recommendation.

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e. Develop the information necessary to age accounts receivable and identify uncollectible accounts so that these activities can take place.	X			Information for aging accounts receivable and identifying uncollectible accounts has been developed.
<b>Strengthen controls over external grant fund expenditures.</b>				
a. Establish some form of secondary review of external grant fund expenditures to ensure that these funds are spent within the parameters of the grant instructions.	X			A secondary review was verified as ongoing.
b. Develop guidelines for external grant fund expenditures and distribute these guidelines to all grant administrators.	X			Guidelines have been developed and distributed to grant fund administrators.
<b>Ensure adequate reimbursement for the costs of services provided to the University's Texarkana campus by the Commerce campus.</b>				
a. The two campuses should agree, in writing, to the services which the Commerce campus performs for the Texarkana campus and the reimbursement amount associated with these services.			X	No written agreement exists. Presidents agreed on the amount through discussion. Arrangement is budgeted by both campuses. This arrangement will terminate at the end of 1997.
b. The Commerce campus should be reimbursed for the full cost of the services it performs for the Texarkana campus.			X	A cost analysis was not performed.
<b>Strengthen human resources policies and procedures, employee performance evaluations, and employee training.</b>				
a. Continue to review, develop and update its human resources policies.		X		Review still in progress; expected completion by 8/31/96. Update to continue through 1997.
b. Finalize the performance evaluation form and implement a mechanism to ensure that regular performance evaluations are conducted for all staff.		X		Evaluation forms for support, professional and executive staff are complete. Evaluations completed for support staff. Evaluations for others to take place in Feb '97.
c. Develop a centralized training function for University employees.		X		Human Resource and EEO training is centralized in one office. However, some campuswide training is not coordinated through the HR office.

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<b>Manage, develop, and control automated information systems to support the University's mission and to provide information for decision-making and reporting. Implement controls to ensure that data is reliable and secure and meets management's needs.</b>				
a. Take action to promptly and fully address each of the Internal Audit recommendations regarding the University's Computer Center.		X		Some Internal Audit recommendations have been addressed but some are still in progress. For example, there is no established steering committee, and there is unrestricted access by some senior programmer/analyst to live operational programs and data as well as passwords.
b. Programming support in the University's Computer Center should be conducted at a level sufficient to minimize the Director's time devoted to that function.	X			The University has hired additional staff including four programmers and an assistant to the Director.
c. The University's computing environment must support the entire University in order to effectively and efficiently provide for the delivery of academic programming through new mediums and support of academic administration. The University should continue its efforts to meet academic technical support needs.	X			Efforts continuing. Verified several initiatives. Vice President for Academic Affairs and Chairman, Academic Technology Committee are satisfied with progress made to date.
<b>Implement a system development life cycle methodology to assist in improving the ability of the Student Information System to meet University requirements.</b>				
a. Initiate a formal system development life cycle methodology for the Student Information System to identify, prioritize, and develop an action plan to address remaining deficiencies in the system.	X			A new SIS is being implemented. A methodology provided by contractor is in use by the University Project Implementation Team.
b. System problems and errors, including the problems with grade point average (GPA) calculation and accounts receivable, should be recorded, monitored, and corrected as soon as possible. Until GPA calculation errors are corrected, the University should implement alternative procedures to ensure that all GPA calculation errors are detected and corrected manually.		X		A GPA calculation module in the new Student Information System is being installed and should be available in the fall. Accounts receivable addressed above.

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c. For future system developments, the University should implement a system development life cycle (SPLC) methodology which addresses the various phases of the system development process, including project definition, system analysis and design, programming, system installation, and system operations and maintenance. The process should include an ongoing review of resource requirements and status reporting to University management. Status reports should include significant outstanding issues and resource implications.		X		A draft SDLC methodology has been developed but it is not complete and lacks features recommended by the SAO.
d. Continue its efforts to install the telephone registration and degree auditing components of the Student Information System in a timely manner.		X		Telephone registration will probably be completed in the Spring of '97, although there may be some capability in late '96. A degree auditing component is scheduled to be available in the Fall.
<b>Maximize the value of the University's internal audit function.</b>				
<i>NOTE: Internal audit responsibilities were assumed by the Texas A&amp;M University System on September 1, 1996. The University's internal auditor will remain in place for one year to facilitate the transition to the Texas A&amp;M University System.</i>				
a. Ensure the University's internal auditor provides individual reports to the members of the Board of Regents. In addition, a presentation from the internal auditor should be included on the Board's Campus Planning, Finance, and Auditing Committee's agenda each quarter.	X			Internal Audit has been providing full reports to the Board. Internal Audit is on the agenda for all Board meetings. There have been no separate meetings for the Planning, Finance and Audit Committee; meetings concurrent with full Board.
b. Changes to the University's internal audit plan should be approved by the Board of Regents' Campus Planning, Finance, and Auditing Committee.	X			Any changes to the Internal Audit plan have been submitted to the entire Board for approval.
<b>For the following issues no SAO recommendations were made.</b>				
Transfer of University to Texas A&M System		N/A		There appears to be adequate coordination and communication between the University and System staff.
Closely monitor enrollment patterns		N/A		Adequate monitoring is ongoing.