

June 10, 1998

Dr. E. James Hindman, President  
Angelo State University  
P.O. Box 11007, ASU Station  
San Angelo, Texas 76909

Dear Dr. Hindman:

Angelo State University (University) has a management control system in place to ensure that the University's resources are used as intended. The objective of this audit was to evaluate the existing management control systems within the University to identify strengths and weaknesses. While our work did not identify significant control weaknesses, we did note opportunities for improvement in management systems for financial aid, contracting, human resources, and fixed assets.

In addition, we noted several areas that we felt deserved recognition:

- The University's Office of Technology has made significant efforts towards Year 2000 compliance. The University has contracted with the Disaster Recovery Center to use its mainframe, which is Year 2000 compliant. In addition, the Office of Technology reviewed all computers and software to determine compliance with Year 2000, and it implemented a plan to update all noncompliant computers and systems. Conversion of student records began in the fall of 1997, while conversion of the accounting system is planned for the summer of 1998.
- In addition to the Management Control Audit, we performed a Historically Underutilized Business (HUB) compliance audit. The University appears to be making a good-faith effort to use HUB contractors. The specific results of this work will be presented in a separate audit report.

### Summary of Issues:

**The Financial Aid Department should follow its procedures for awarding and collecting emergency tuition loans.**

The Financial Aid Department (Department) did not follow certain monitoring procedures for student eligibility and repayment of emergency tuition loans. The Department has established criteria for awarding and collecting emergency loans, which totaled \$335,000 during fall 1997.

While criteria state that the student should have a demonstrated ability to repay the loan and a good repayment history, we found no evidence that the Department verified these requirements. One student was issued a new loan while still in default for a previous loan. In addition, collection efforts are not consistent with the Department's documented policies. The Department does not always adhere to established time frames when distributing past-due notices to students, or delinquent accounts to collection agencies. Since the University funds emergency loans, no federal programs are affected by this noncompliance. However, failing to enforce criteria potentially reduces the funds available for other eligible students. Policies should be followed regarding the awarding and collection of emergency tuition loans.

### **The University should enhance oversight of contract agreements.**

In some instances, contracts were not appropriately reviewed and approved. Two contracts had billing errors totaling approximately \$32,750. In one instance, the contractor overpaid the University, and in the other, the University underpaid the contractor. Although in these cases the errors were favorable to the University, they could potentially create a liability for failure to adhere to the contract agreement. Furthermore, since approval for these billings was given without adequate information or review, errors could have resulted in the University overpaying the contractor. In addition, the Texas State University System (System) policies require that the Board of Regents (Board) approve all vending machine contracts. One vending machine contract worth approximately \$7,200 did not have Board approval. Contracts, related payments, and receipts should be reviewed and approved by appropriate personnel.

### **The University should review the performance of faculty using a standardized policy and standardized criteria.**

The University does not have a standardized policy to evaluate faculty. The importance of effectively managing faculty is underscored by the fact that associated salaries totaled approximately \$11 million, or 44 percent of the University's total budget, in fiscal year 1998. Evaluations are used to support management decisions related to compensation and tenure. General professional standards and expectations should be clearly communicated to all faculty. Currently, each department head independently develops methods for assessing faculty performance. As a result, faculty evaluations between departments are not based on consistent factors. To promote equity, evaluation standards should be developed for faculty and a standardized form should be used.

### **The University should require periodic physical inventories.**

Existing controls over fixed assets should be enhanced. The University currently uses an annual self-reporting inventory system. Under this system the departments responsible for the item

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report whether or not they still have the item. In fiscal year 1997 the University's Internal Auditor identified control weaknesses, such as interdepartmental property transfers that were not reported or tracked. To further mitigate the risk of property being misused or stolen, we recommend the University establish a policy requiring a periodic physical inventory by employees not responsible for the item.

University management agrees with our findings and recommendations. Their detailed responses are attached.

The audit team thanks Angelo State University faculty and staff. The team especially thanks the internal auditor and executive management for their professionalism and prompt response to information requests during the audit. If you have any questions, please feel free to contact Eric Corzine, the project manager, or Valerie Hill, the audit manager, at (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

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attachment

cc: Texas State University System Board of Regents  
The Honorable George W. Bush, Governor  
Members of the Legislative Audit Committee

**ANGELO STATE UNIVERSITY  
MANAGEMENT'S RESPONSE  
May 28, 1998**

Angelo State University agrees with the four recommendations included in the May 21, 1998, State Auditor's Management Control Audit. Angelo State University accepts the recommendations and believes that their implementation will improve the management and operation of the University. Our response to each audit recommendation follows the order of the recommendations in the report.

**1. The Financial Aid Department should follow its procedures for both the award and collection of Emergency Tuition Loans.**

The policy and procedures manual will be updated to reflect current procedures regarding the collection of emergency loans. At this time, we have already added a section to the emergency loan application where ability to repay is indicated.

In regard to the statement about issuing a new emergency loan to a student who had a defaulted previous loan: In this case, the person was waiting for VA benefits to begin, and was to make payment with these funds. Since this can often be a lengthy wait, an additional emergency loan was made to enable the student to remain in school. We will change the wording in our policy and procedures manual to indicate exceptions can be made based on mitigating circumstances.

**2. The University should enhance oversight of contract agreements.**

Appropriate procedures have been implemented to make sure contract billings are properly reviewed and verified before the billings are approved for payment. All future contracts will be reviewed by the appropriate Vice President to make sure that the contracts requiring Board approval are properly approved by the Board.

**3. The University should review the performance of faculty using a standardized policy and criteria.**

Faculty members at Angelo State University are evaluated on a yearly basis. A cumulative evaluation is undertaken of faculty who are applying for tenure, promotion, or step increases during the year of their application. Evaluations are conducted at the departmental level and are reviewed by the dean of the appropriate college, and the Vice President for Academic Affairs before being forwarded to the President (in the case of tenure, promotion, and step increases, the evaluations become part of a dossier that is also reviewed by the University Tenure and Promotion Committee). Evaluations address the three areas of faculty responsibility: teaching, scholarship, and service. As stated in the management audit recommendation, each department uses its own format in reporting evaluation information.

During the 1998-99 academic year, the Vice President for Academic Affairs will convene a group of faculty and academic administrators to develop a standardized reporting form for faculty evaluations.

**4. The University should require physical inventories to be performed periodically.**

The University will establish a policy that will require a periodic physical inventory by the Property Manager's Office.