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A Report on the Follow-Up Audit at Lamar University - Beaumont

June 21, 1999

Members of the Legislative Audit Committee:

We commend the Texas State University System (TSUS) Board of Regents, TSUS Administration, and management at Lamar University - Beaumont (University) for improving service to students and accountability for University resources. Board involvement and new University management has provided the leadership necessary to reverse a pattern of fiscal mismanagement identified in our previous audit. The University fully or partially implemented 56 of the 57 audit recommendations.

Last year, *An Audit Report on Management Controls at Lamar University - Beaumont*, revealed weak financial controls that put the University at risk of (1) losing federal funding for student financial aid, and (2) sustaining waste, loss, or misuse of its resources. The corrective actions taken by the University have resulted in an increase in federal aid delivered to students, a reduction of operational deficits, and improved accuracy of information systems used for monitoring and decision making. We did note a few areas in which the University did not fully implement recommendations from the prior audit. (See attachment for details on accomplishments and areas for further improvement.)

The University agrees with our audit results and states, "The management of Lamar University - Beaumont appreciates the thoroughness of your review and is committed to implementing fully all recommendations."

We appreciate the cooperation and responsiveness of the University staff and management during this review. If you have any questions or comments, please contact Valerie Hill, Audit Manager, at (512) 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

rmn/Attachment

cc: Dr. William R. Johnson, Interim President
Lamar University - Beaumont
Mr. Lamar Urbanovsky, Chancellor - TSUS
Board Chair and Regents - TSUS

Objective, Scope, and Methodology

This audit was conducted in accordance with *Government Auditing Standards*. The objectives of our review were as follows: (1) to determine if the University has implemented corrective actions that result in improved service to students and accountability for its resources, and (2) to determine if there are specific functions for which the University needs technical assistance to attain the desired improvements.

The scope of our audit included a review and analysis of the following University accountability systems:

- Student Financial Aid
- Finance and Accounting
- Human Resources
- Performance Management
- Information Management

The methodology used on this audit included system analyses and tests, interviews with management and staff, and a review of pertinent documents and performance measures associated with the aforementioned accountability systems.

Ms. Twila Baker, CPA, Internal Audit Director
Lamar University - Beaumont
Mr. Jerry W. Neef, CPA, Director of Audits
and Analysis - TSUS

SAO Report No. 99-040

Summary of Accomplishments

Under new leadership, Lamar University - Beaumont has made significant achievements in correcting weaknesses and reducing critical risks reported in a prior audit.

More Students Received Financial Aid

The University was able to award more federal financial aid by significantly improving the timeliness and accuracy of processing. Between the Fall 1997 and Fall 1998 semesters, the University increased the amount of Stafford loans awarded by 14 percent, (approximately \$1.8 million). Furthermore, the University reduced the need for short-term loans, which provide students with funds until their financial aid is processed. Short-term loans decreased by 23 percent (\$151,398).

Financial Reports Were More Accurate, and Deficits Were Reduced

The University has demonstrated improved accountability for financial and physical resources. The University's *Fiscal Year 1998 Annual Financial Report* is consistent with its internal accounting records. Improved procedures are now in place for recording, reconciling, and reporting information on cash, accounts receivable, and equipment. The University reduced its deficit fund balances by more than \$480,000 and has plans for further reductions in selected areas. This year the University eliminated more than \$292,646 in deficits for its Post Office, \$144,737 for its Print Shop, and \$43,264 for one of its pledged enterprise fund accounts.

Use of Technology Improved

The University has improved the way it uses and manages its information systems. Employees perform a monthly reconciliation to review the accuracy of data between the three major information systems: the Financial Records System, the Human Resources System, and the Student Information System. These systems now feed accurate data into each other and can support timely and accurate decision making by University management. In addition, the University has strengthened security over employee access to information systems.

Areas for Further Improvement

While the University has made substantial progress, it still needs to make improvements. It has not developed operational standards and performance measures for all critical areas of University operations. However, the University has requested assistance from the State Auditor's Office on this issue. It is also working to resolve a \$254,000 discrepancy between the amount of inventory reported in its *Fiscal Year 1998 Annual Financial Report* and the amount reported in the State Property Accounting System.

Also, the University should follow the guidelines set up by the Comptroller of Public Accounts for estimating, recognizing, and writing off bad debts related to receivables.