

6.3 Financial Resources

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6.3.1 Financial Resources

Because the financial resources of an institution influence the quality of its educational program, each institution must possess sufficient financial resources to support all of its programs.

The recent financial history of the institution must also demonstrate the financial stability essential to its successful operation.

The University is in compliance.

The total budget for ASU increased from \$39,870,000 for fiscal 1995-96 to \$54,854,000 for fiscal 2000-01, as shown in Table 6.3.1.a:

Table 6.3.1.a

**Composition of Angelo State University Budget, 1995-96 through 2000-01
(Amounts in Thousands)**

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Educational and General	\$24,910 62.5%	\$28,239 64.8%	\$30,225 63.4%	\$29,960 62.2%	\$34,692 65.5%	\$34,926 63.7%
Non-pledged	\$3,233 8.1%	\$3,238 7.4%	\$3,530 7.4%	\$3,636 7.6%	\$3,727 7.0%	\$3,582 6.5%
Pledged Revenue	\$7,363 18.5%	\$7,507 17.2%	\$7,841 16.5%	\$7,560 15.7%	\$6,823 12.9%	\$7,493 13.7%
Designated Funds	\$3,581 9.0%	\$3,765 8.6%	\$5,223 11.0%	\$5,998 12.5%	\$6,635 12.5%	\$7,581 13.8%
Trust Funds	\$532 1.3%	\$561 1.3%	\$562 1.2%	\$568 1.2%	\$570 1.1%	\$600 1.1%
Restricted Funds	\$251 .6%	\$293 .7%	\$264 .6%	\$447 .9%	\$545 1.0%	\$672 1.2%
Totals (100%)	\$39,870	\$43,603	\$47,645	\$48,169	\$52,992	\$54,854
Percentage Change		+9.4%	+9.3%	+1.1%	+10.0%	+3.5%

The total budget has increased every year, and three of the five increases were nearly or equal to 10% over the previous year's funding. The overall increase during the six-year period was 37.6%. During this time inflation rates varied, but they remained generally low at about 2% per year. Not only was there a solid increase in total budget from 1995-96 to 2000-01, the Educational and General percentage remained consistently between 62.2% and 65.5% of the annual total, indicating that a significant majority of the funds made available to ASU each year was devoted to its proper educational mission.

Fluctuations in annual budget increases between 1.1% and 10.0% are explained in great part by the following circumstances. The first is that, beginning with the budget for 1998-99, ASU has reserved approximately \$1,000,000 in Higher Education Assistance Fund (HEAF) money from each year's September balance in order to allocate the funds more equitably throughout the academic year. These funds are therefore not reflected in the Fall budget data for 1998-99, 1999-2000, and 2000-01 upon which Table 6.3.1.a is based, but they were available for expenditure subsequently during each academic year. The second circumstance concerns salaries. The budget for 1997-98 reflects a substantial raise for all faculty and staff of about 5% overall. Thus, more than half of the budget increase that year was for an exceptional reason. The budget for 1998-99, by contrast, reflected only a 2% merit raise for faculty and staff, which not all employees received. Again, for 1999-2000 a 3% pay raise was given to all faculty and staff. This raise accounted for 30% of the budget increase of that year. The third circumstance was a one-time special allocation of \$650,000 to ASU reflected in the budget in 1997-98. The State assigned these funds to ASU to pay for hail damage suffered by the physical plant in a severe storm.

Differences in annual budget increases are therefore either less real than they may seem, or they reflect special funding not repeated again, or they simply reflect necessary and rational management. Financial resources for ASU are adequate for the institution's growing needs, and they are managed to promote soundness and stability from year to year.

The sufficiency and stability of financial resources are made clearer when those resources are compared with both student enrollment and the faculty-student ratio, as shown in Table 6.3.1.b:

Table 6.3.1.b

Student Enrollment and Number of Faculty, Fall 1995 –Fall 2000

	Fall 1995	Fall 1996	Fall 1997	Fall 1998	Fall 1999	Fall 2000
Liberal and Fine Arts	1370	1429	1451	1474	1465	1529
Professional Studies (with Education)	2295	2428	2485	2564	2581	2738
Sciences	1313	1200	1282	1207	1148	1180
Undecided	1125	1141	1016	1070	1027	862
Totals	6103	6198	6234	6315	6221	6309
Number of Students (Full-Time Equivalent)	4850	4989	5042	5125	5121	5222
Number of Faculty (Full-Time Equivalent)	211	224	227	227	234	252
<i>Faculty-Student FTE Ratio</i>	<i>1:23</i>	<i>1:22</i>	<i>1:22</i>	<i>1:23</i>	<i>1:22</i>	<i>1:21</i>

Between the fall of 1995 and fall 2000, both overall student enrollment (full-time and part-time undergraduate and graduate students) and the number of full-time equivalent students (undergraduate

and graduate) have grown, the latter slightly more than the former. This growth, though not overwhelming, has been welcome in the face of a number of adverse conditions, particularly on the state-wide level, over which ASU has little control.

While student FTEs have increased by 7.7%, faculty FTEs have gone up by 19.4% during the same six-year period. Several facts mostly unrelated to one another explain this difference in rates of growth. One is that ASU introduced a new Physical Therapy Program beginning in the fall of 2000. This program required five new FTE hires at one time. A second is that it has become University policy to reduce the faculty-student ratio, which has dropped between 1995 and 2000 from 1:23 to 1:21. Fewer students per faculty in a situation where enrollments have grown has meant more faculty FTEs. The third cause of the higher growth in faculty FTEs is the aging of the corps of teachers. In recent years faculty have retired in larger numbers than previously. Some of those faculty taught an overload of classes, but they were not paid for more than a standard faculty teaching load. When these people retired, they were replaced by full- or part-time faculty whose total responsibility was no more than the equivalent of one FTE. The overload classes taught by the retired teachers had then to be accommodated with hires beyond the one FTE. And finally, more faculty modified service and release time has been allowed in recent years than in the past. Such faculty might still teach part-time or might cease to teach an overload, requiring new hires that add in a small way to total FTEs over the number when these faculty taught full time.

The essential point is that financial resources have been adequate to meet the increase that has occurred in faculty numbers at a time when the student body has grown in size at a more modest rate.

6.3.2 Organization for the Administration of Financial Resources

All business and financial functions of the institution should be centralized under a chief business officer reporting to the chief executive officer.

The organization of the business office must be consistent with the purpose of the institution, the size of the institution, and the volume of transactions of a business or financial nature.

The University is in compliance.

The Vice President for Fiscal Affairs (VPFA) is responsible for the general financial operation of the institution, including accounting and fiscal records, preparation of the University budget and the biennial legislative budget request, and institutional budget control. The VPFA assists the President in administering University moneys and properties, supervising investments, coordinating the issuance of bonds, supervising contractual relationships, arranging the acquisition of properties, and representing the University in the institution's dealings with the State of Texas and other

governmental agencies and organizations. The VPFA also has responsibility for supervising the operation of the University Bookstore, Post Office, Personnel Office, Print Shop, and Physical Plant Operations. The accounting, purchasing, and inventory offices are administered by the VPFA through the Business Manager. This organization is typical and appropriate for an institution of this size.

The VPFA is responsible for annually evaluating the Fiscal Affairs administrative personnel and for advising the President on such evaluations.

The chief executive officer must report regularly to the governing board on the financial and business operations of the institution.

The University is in compliance.

The VPFA is responsible for preparing financial reports on a regular basis. These reports are submitted to the President, who then reports to the Board of Regents of The Texas State University System (TSUS). The required reports include biennial appropriations requests, annual operating budgets, annual financial reports, monthly operating reports, sinking fund reports, and investment reports.

The chief business officer should have experience or training in handling educational business affairs sufficient to enable the business office to serve the educational goals of the institution and assist in furthering its stated purpose.

The University is in compliance.

The VPFA holds a B.B.A. and has thirty-two years of experience in business affairs at the University. Most of the functional supervisors also hold accounting degrees and two are certified public accountants. The thirteen supervisor level staff average over thirteen years of work experience at the University as shown in Table 6.3.2:

Table 6.3.2

Supervisors/Department Heads Reporting to the Vice President for Fiscal Affairs

Title	Degree/Certification	Date Of Hire	Major
Vice President for Fiscal Affairs	B.B.A.	12/01/1968	Accounting
Business Manager	B.B.A.	07/01/1971	General Business
Personnel Manager	B.B.A.	10/04/1971	General Business
Purchasing Agent	B.B.A.	02/04/1993	Business Management
Director of Plant Operations	B.B.A.	04/06/1995	Business/Finance
Mail Services Manager	N.A.	09/18/1989	N.A.
Print Shop Supervisor	N.A.	03/09/1992	N.A.
Manager of Business Services	B.B.A.	05/06/1991	General Business
Asst. Fiscal Office Supervisor/Appropriations Coordinator	N.A.	07/02/1981	N.A.
Budget Director & Investment Coordinator	B.B.A., C.P.A.	12/04/1989	Accounting
Accountant	B.S.B.A., C.P.A.	10/01/1999	Finance
Director of Accounting	B.B.A.	07/08/1985	Accounting
Accountant/Billing Receivables Coordinator	B.B.A., M.B.A.	02/19/2001	Accounting

6.3.3 Budget Planning

An institution must prepare an appropriately detailed annual budget.

Its preparation and execution must be preceded by sound educational planning.

It follows that the instructional budget should be substantively developed by academic officers or deans, working cooperatively with department heads, appropriate members of the faculty and administration, and representatives of the business office.

Procedures for budget planning must be evaluated regularly.

Similarly, budgets for other areas should be developed after consultation with appropriate officers of the institution.

The budget is presented by the chief executive officer through proper channels to the governing board for final approval. In reviewing the budget, the governing board should focus on matters of broad policy and normally should not concern itself with details.

The University is in compliance.

The larger framework of the Angelo State University budget planning process is formulated by the State of Texas through the General Appropriations Act. The budget process begins when the State of Texas Request for Legislative Appropriations is sent to each institution. This budgetary request operates on a funding cycle some eighteen months before the beginning of the designated fiscal year. House and Senate Bill No. 1 not only provides the grand totals of appropriations, but also itemizes the method of financing: General Revenue Fund; General Revenue Fund-Dedicated-Estimated Statutory Tuition Increases Account; and General Revenue Fund-Dedicated-Other Educational and General Income.

Preparation of the budget at Angelo State University comprises two processes. The first process, the top-down process, moves from the state legislature to the individual University departments. In this process, once the State Appropriations Bill is printed, a copy is forwarded to the President's Office and is shared with the VPFA. The second process, a base-up process, starts with the departments' submitting budget requests and then moves upward. In this process, all budget request forms will be returned by the department head to the appropriate dean and/or vice president. All budget requests must be related to one of the planning documents, and department heads must defend their budget proposals to deans and vice presidents. After a thorough review of the departmental requests, the deans and/or department heads make their recommendations to the appropriate vice president. The vice presidents forward their recommendations to the VPFA, who prepares and forwards a summary of the budget recommendations to the Office of the President for review by the University Budget Committee, composed of the President of the University who serves as Chair, the three vice presidents, the five academic deans, and the Dean of Student Life. The Chair of the Faculty Senate serves ex officio.

The functions of the Budget Committee are (1) to provide a forum for discussion of financial issues affecting the University, (2) to make recommendations on policies and procedures related to the financial operation and management of the University, (3) to verify that the Academic Master Plan is being used in the budget process, and (4) to advise and assist the President and the VPFA with the planning and development of the annual University budget and the Biennial Legislative Appropriations request.

A subcommittee for Academic Budget Planning, chaired by the Vice President for Academic Affairs and consisting of the academic deans and the VPFA, develops the proposed budget for Academic Affairs for consideration by the Budget Committee.

After careful review by the Budget Committee, the budget is recommended to the President for approval. After the President approves the budget, it is presented to the Board of Regents for final approval. Minutes of the Board of Regents show that the Board is concerned primarily with policy and normally not with detail.

The University President's Cabinet regularly evaluates and recommends changes in the procedures for budget planning. The last change (Fall 2000) incorporated the planning documents into the budgeting process.

6.3.4 Budget Control

After the budget has been approved by the chief executive officer and adopted by the governing board, a system of control must be established.

The business officer must render interim budget statements on a periodic basis to department heads for their guidance in staying within budgetary allocations.

Budgetary control is an administrative function, not a board function.

Necessary budget revisions must be made when actual conditions require such change and must be communicated to those affected within the institution.

The University is in compliance.

The Budget Committee evaluates the budget process and procedures and monitors the budget implementation. Additionally, the Board of Regents, the VPFA, and the Director of Internal Audit are actively involved in overseeing the multi-layered budget control process.

The computer system has become an integral part of effective budget management, and information about the status of each account is available online. Monthly departmental statements also provide a manual control system. If an account (for example, student wages) runs a deficit, as may be necessary to provide flexibility, the account is monitored and a budget transfer may be requested before the account is closed at the end of the fiscal year.

An operating report is submitted monthly to The TSUS office in Austin by the Business Manager. This report shows, as of the last day of the preceding month, a summary statement of budget position, a general ledger trial balance by fund groups, a statement of realization of estimated income, and a statement of departmental balance. Although the Board of Regents has final approval of the budget and of any budget changes of \$100,000 or more, budget control is the responsibility of the administration, not the Board.

The annual budget provides general guidelines for the University's multiple operations. It is a flexible system, which, within the overall allocation, allows for reallocation of funds when necessary.

Changes in the budget occur frequently, reflecting evolving needs that have been communicated to those who have the authority to request budget changes.

Department heads request budget changes by filling out and submitting “Angelo State University Budget Adjustment/New Account Authorization” forms. These forms become supplements to the budget as they document the dates and amounts of the budget changes. Budget changes from fund balance or estimated income require the President’s approval. Budget changes are presented to the Board of Regents for approval four times a year.

The budget adjustment process allows necessary budget revisions to be made within the appropriate overall departmental allocations. The communication of those changes takes place through disbursement of the approved forms. While the budget change process allows for flexibility, controls in the form of required approvals on stipulated forms are in place to ensure the integrity and correctness of all transactions.

6.3.5 The Relation of an Institution to External Budgetary Control

No outside or superimposed agency should exercise specific and detailed control over the financial affairs of an institution.

Once funds have been appropriated, creating a budget, establishing priorities, and controlling expenditures become the responsibility of the institution – operating under the jurisdiction of the governing board and subject to its policies.

Enforcement of budgetary law is imperative; however, the educational function of an institution must not be controlled through the use of budgetary techniques or controls by financial officials outside the institution.

The University is in compliance.

The Texas State Legislature determines the amount of appropriated money that the University spends by formula funding. While the University is accountable to the legislature, no person outside ASU exercises specific and detailed control over the budget and financial affairs of the University. After funds have been appropriated, the University creates a budget, establishes priorities, and controls expenditures, subject to the policies of the Board of Regents of The TSUS. Angelo State University is not controlled through the use of budgetary techniques or controls by any financial officials outside the institution. The educational function of the budget is emphasized by the requirement that budget request refer to the planning documents, particularly the *Academic Master Plan 2000*.

6.3.6 Accounting, Reporting, and Auditing

An institution must adopt an accounting system that follows generally accepted accounting principles of institutional accounting as they appear in College and University Business Administration, published by the National Association of College and University Business Officers.

The University is in compliance, as is discussed below.

Institutions exempted from use of the required accounting system must arrange to provide comparable information.

All proprietary institutions must provide revenue/expenditure reports consistent with NACUBO/AICPA publications, either independently certified in the audit report or included as supplemental data in the audit report.

These requirements do not apply to Angelo State University.

The chief business officer is responsible for preparing financial reports for appropriate institutional officials, board officers and outside agencies.

Periodic written reports to the chief executive officer of the institution are essential.

An annual fiscal year audit must be made by independent certified public accountants, or an appropriate governmental auditing agency, using as a guide for institutions under the jurisdiction of the Financial Accounting Standards Board (FASB), Audits of Not-for-Profit Organizations, published by the American Institute of Certified Public Accountants (AICPA), or, for institutions under the jurisdiction of the Governmental Accounting Standards Board (GASB), Audits of Colleges and Universities, also published by the American Institute of Certified Public Accountants (AICPA), or, in the case of for-profit institutions, conducted in accordance with generally accepted accounting principles.

The University is in compliance, as is discussed below.

If an institution is subject to Statement of Financial Accounting Standards (SFAS) No. 117 and elects to use the single column "Corporate" Statement of Financial Position in its report, it must provide an additional Statement of Financial Position using one of the four highest levels of disaggregation illustrated in F.A.R.M. The additional statement must

be included either in the audit report as an audited supplemental schedule or independently certified if not included in the report.

A for-profit institution and its corporate parent, if any, must add to their audit report a separate schedule indicating the disposition of profits, including detailed information on corporate income taxes paid, both state and federal, and on dividends distributed to stockholders.

These requirements do not apply to Angelo State University.

A public institution included in a statewide or system-wide audited financial report, for which a separate institutional audit report is not available for the fiscal year ending immediately prior to the committee visit, must have available, in lieu of audited financial statements, a Standard Review Report in accordance with AICPA Professional Standards AR 100.35 to include current funds expenditure classifications and amounts in accordance with generally accepted principles of institutional accounting, and the institution's current fund balance sheet.

Institutions in this category must provide either a separate or a consolidated balance sheet.

The auditors must not be directly connected with the institution either personally or professionally.

An effective program of internal auditing and financial control must be maintained to complement the accounting system and the annual external audit. However, in those cases in which a public institution's financial report is included as part of a comprehensive certified state or system financial report and a separate annual audited report is not available, the institution must have an established procedure to ensure the effectiveness of internal controls.

The University is in compliance with all of the above applicable requirements.

Angelo State University is an agency of the State of Texas and follows the uniform accounting and reporting procedures prescribed by the Comptroller of Public Accounts. These procedures conform substantially with Governmental Accounting Standards Board (GASB) statements, with the AICPA industry audit guide, *Audits of Colleges and Universities* (1996 Edition), and with the provisions of the *Financial Accounting and Reporting Manual for Higher Education*, published by the National Association of College and University Business Officers (NACUBO).

The VPFA is the chief business officer responsible for preparing reports for institutional officials, the Board of Regents, and outside agencies. Monthly statements of operations are prepared for the Board

of Regents. A complete annual financial report is prepared and filed with the Governor, the State Auditor, and the Legislative Budget Board. An inventory report is prepared and filed annually with the Comptroller of Public Accounts. A Financial Profile is filed each spring with the Southern Association of Colleges and Schools. Written reports are prepared for the President upon request. Most financial reports are available online.

Angelo State University is included in the Texas statewide audited financial report, so a separate report for ASU is not routinely prepared. The University has requested the State Auditor to provide a special audit report on the financial statements for the year ended August 31, 2001, as required by the Southern Association of Colleges and Schools for accreditation review. The State Auditor's work schedule will ensure a timely report.

An effective program of internal auditing and financial control is maintained to complement the accounting system and the external audit. ASU has established an internal audit program to assist University administrators in fulfilling their responsibilities required by the Texas Internal Auditing Act. Internal auditing assists administrators by furnishing independent analyses, appraisals and recommendations concerning the adequacy and effectiveness of the system of internal controls, policies, procedures, and the quality of performance in carrying out assigned responsibilities. The Director of Internal Audit reports directly to the Finance Committee of The TSUS and administratively to the President of the University. The Internal Audit Department functions independently of other University departments and conforms to the *Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors and to that organization's *Code of Ethics*. The annual Internal Audit Plan is developed by the Director and approved by both the Finance Committee and the President. Resulting audit reports are directed to the President with copies sent to the Board of Regents of The TSUS and other State government offices. To ensure adoption of proposed recommendations approved by the President, a follow up review is conducted approximately six months after a report is issued.

Angelo State University is committed to maintaining a comprehensive system of effective controls. The University has an effective program of financial control, including controls to assure that expenditures do not exceed budgeted amounts; that transactions are authorized, accurate, and complete; that assets and records are physically safeguarded; and that the duties of authorization and recording of transactions and custody of the assets are separate. These controls exist to assure that transactions are recorded, processed, summarized, and reported correctly and that accountability for related assets and liabilities is maintained.

6.3.7 Purchasing and Inventory Control

An institution must maintain proper control over purchasing and inventory management.

The administration and governing board should protect responsible purchasing officials from improper pressures of external political or business interests.

A logical adjunct of the purchasing function is a system of well-organized storerooms such as those for physical plant, library and office and laboratory supplies, as well as an inventory system appropriate to safeguard the institution from loss of equipment.

The University is in compliance.

Purchasing and inventory management procedures are clearly specified in the University's *Fiscal Regulations*. The responsibility for purchasing lies with the Purchasing Agent; inventory control is the responsibility of the Property Manager. Both of these individuals report to the Business Manager.

Many aspects of the University's purchasing operations are tightly controlled by the State Purchasing and General Services Commission and by the State Comptroller's Office. For purposes of institutional control, the *Fiscal Regulations* require that all purchases of supplies and equipment be made through the Purchasing Office, unless otherwise authorized by the VPFA. This centralization helps to ensure economical and efficient procurement, a high standard of business ethics, and full compliance with all statutes, rules, and regulations that have been adopted by the Board of Regents or by state or federal agencies.

The *Fiscal Regulations* also provide detailed guidelines for the purchasing process. Purchases are initiated by submission of a requisition to the Purchasing Office. All requisitions must show the actual or accurately estimated costs of the items requested. Requisitions are numbered consecutively, prefixed by the number of the account against which funds are to be drawn. Following verification of the availability of funds, the Purchasing Office issues a purchase order to the appropriate supplier. Only the Purchasing Office may cancel pending orders. Inventory procedures are also regulated by the State Comptroller and the State Purchasing and General Services Commission. The University's *Fiscal Regulations* provide detailed procedures regarding the custody and maintenance of the University's inventory and associated records. The University's *Faculty-Staff Handbook* also contains specific policies on "Accountability and Responsibility for State Property."

The Property Manager is responsible for monitoring all property addition, transfers, and deletions. State regulations require that all items of property with a value of at least \$1000, and certain types of items valued at \$500 or more, be tagged with an inventory number. The Property Manager has the discretion to require that other special items be similarly identified.

Department heads are responsible for all University property under their control. Requests for property transfers or deletions are submitted by department heads to the Property Manager.

In accordance with State regulations, all departments conduct an annual property inventory. The Property Manager then compares the departmental inventories against the central property records and compiles an annual inventory report. Appropriate procedures exist in the *Fiscal Regulations* for the reporting of missing or stolen property to the University Police and to the Property Manager.

The University's *Fiscal Regulations* explicitly require equal treatment of all qualified bidders. These regulations also forbid administrators and staff members from obligating themselves to any representative seeking University business. The University's competitive bidding processes work to protect purchasing officials from outside influences. Purchasing transactions that prevent competition or favor a particular vendor or manufacturer are inconsistent with University policy. The *Fiscal Regulations* adequately protect purchasing officials from improper pressures from external business or political interests.

Most campus buildings, but not all, have storerooms adequate to provide secure storage of those supplies and items of equipment that must be readily available to University personnel. Office supplies and laboratory equipment, for example, are safeguarded in this manner. In such cases, it is the responsibility of the department to safeguard the contents. Two buildings have recently been converted to mass storage, so local storage should become less of a problem.

The University's physical plant stores larger or less frequently used equipment in warehouses that are individually secured, and these warehouses are further protected behind lockable gates. The Property Manager is ultimately responsible for the safeguarding of equipment and supplies. Items kept in storerooms or warehouses are inventoried along with other University property, and appropriate changes to inventory records are made whenever items are moved to or from storage locations.

6.3.8 Refund Policy

An institution must adhere to a published policy and procedure for refunding fees and charges to students who withdraw from enrollment.

The policy and procedure must be in keeping with generally accepted refund practices in the higher education community, applicable to all students, and clearly stated in appropriate official publications.

The University is in compliance.

ASU's refund policies are established by state law, section 54.006 Refund of Tuition and Fees, Texas Education Code.

ASU states its refund policy in the biennial university bulletin. The policy is applicable to all students who withdraw from the University. The policy, as stated in the *2001-2003 Bulletin* (pp. 61, 62, 67), specifies a refund schedule for tuition, fees, room and board, and the general deposit.

Students withdrawing from the University before the first class day receive a 100% refund of their tuition and some fees. The percentage of tuition and fees refunded when a student withdraws from the University decreases with time, and students withdrawing after the twentieth class day receive no refund. The University also has a refund schedule for summer terms, and students withdrawing on the seventh day of class or thereafter receive no refund.

Refunds are granted for room and board after the Director of Residence Life receives proper clearance from the appropriate residence hall. These refunds are prorated on a weekly basis.

The general deposit will be refunded to a student who makes a written request to the Fiscal Office, stating that he or she has no intention of reentering ASU. Interest will not be paid on the deposit, and the request must be made within four years of the date of last enrollment.

The *Bulletin* also specifies that the Student Handbook contains a section titled "Grievance and Appeal Procedures for Students at Angelo State University" with guidelines for cases where students or parents believe that individual circumstances warrant exceptions to the published policy (*Student Handbook 2000-2001*, p. 45).

6.3.9 Cashiering

There must be a suitable organization and adequate procedures for the management of all funds belonging to the institution.

The cashiering function should be centralized in the business office, and there must be a carefully developed system for the receipt, deposit and safeguarding of institutional funds.

All persons handling institutional funds must be adequately bonded.

The University is in compliance.

According to *Fiscal Regulations*, the Fiscal Office is the central office of accounting control for all fiscal transactions, and all accounting procedures and fiscal transactions must have the advance

approval of the VPFA. Accounting reports and records are prepared and maintained in compliance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

The cashiering function is centralized in the Fiscal Office. According to *Fiscal Regulations*, no department, division, or individual staff member is authorized to receive money in the name of the University without prior approval of the VPFA. All cash registers used for recording sales must be equipped to issue numbered sales tapes showing the amount of the sale. Departments not using cash registers to record cash sales will use pre-numbered sales receipts approved by the Fiscal Office as to form. The *Fiscal Regulations* specify the information that must be on all receipts and describes the receipt books to be used by departments authorized to collect cash. There is no authority for any department to use any collected funds for any purpose whatsoever other than to deposit them in the Fiscal Office.

All fiscal office employees handling institutional funds are bonded according to requirements established by the Board of Regents.

6.3.10 Investment Management

The institution must have a written statement of its investment policies and guidelines approved by the board.

Members of the governing board should be aware of their fiduciary responsibility for the institution and their responsibility for securing maximum investment returns consistent with the approved investment policy. They should avoid involvement in conflict of interest situations.

Investment policies and guidelines must be evaluated regularly.

The University is in compliance.

Angelo State University has a written investment policy statement, *Investment Policies*, approved by the Board of Regents on November 4-5, 1999. The policy statement identifies the primary investment objectives as providing maximum security of invested principal, ensuring liquidity for cash flow purposes, managing interest rate risk, maximizing overall return within the established risk constraints, and managing the diversification of investment assets.

The VPFA is responsible for investment management decisions and activities for ASU. The VPFA is also responsible for all transactions undertaken and develops and maintains written administrative procedures and guidelines for the operation of the investment program consistent with the *Investment Policies*.

ASU has a system of written internal controls designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by the employees of the University. These internal controls are set forth in detail in the *Investment Policies*. The Internal Auditor annually reviews these internal controls for adequacy.

The “prudent person” (knowledgeable and careful) standard is used in the investment functions and is applied in the context of individual transactions as well as management of the overall portfolio.

The VPFA, his or her designees, and/or Board authorized investment advisor shall act as the investment officer.

Authorized investments of Angelo State University are outlined in detail in the *Investment Policies* as well as prohibited securities and activities. All investments made by ASU must comply with all applicable federal and state statutes, rules, regulations, or policies.

Performance evaluation is addressed in the quarterly and annual reports by the VPFA that are submitted to The TSUS’s Director of Finance. These reports are then consolidated into a system-wide report submitted to the Finance Committee of the Board of Regents.

Each Board member and each investment officer is required to attend investment training within six months of taking office or assuming duties. The Board's Rules and Regulations require disclosure or recusal or both in certain defined conflict of interest situations (VIII-3). An investment officer attends a training session not less than once in a two-year period and may receive training from any independent source approved by the Board. This training includes education in investment controls, security and strategy risks, market risks, and compliance with the Texas Public Funds Investment Act.

Angelo State University’s investment policies are reviewed on an annual basis by the Board of Regents, who must approve all modifications.

6.3.11 Risk Management and Insurance

The institution should have a comprehensive risk management program which includes risk evaluation, risk avoidance and insurance.

Adequate replacement protection for all physical facilities should be covered by appropriate levels of insurance or appropriate provisions for obtaining funds.

The University is in compliance.

The University has a comprehensive risk management policy which went into effect in March 1998. This policy encompasses health and safety protection, fire prevention and protection, hazard communication, radiation protection, prevention of alcohol abuse and illicit drug use, information systems security, and emergency response.

This policy provides for the appointment of a Risk Management Specialist, who is delegated the authority and responsibility to create and carry out the risk management program at Angelo State University.

Insurance coverage is carried for individual or aggregate exposures in cases where large potential losses exist.

Texas has a State Office of Risk Management (SORM) which periodically conducts site visits and review of state agencies. Following a March 2001 review of the University, SORM awarded Angelo State University a Gold Safety Award for the year 2000.

6.3.12 Auxiliary Enterprise

The institution may operate, or have contracted for operation, activities that may have a significant impact on the operation of the institution. These activities may include, but are not limited to, the following: bookstores, residence halls, food service operations, printing/duplicating services, child care and transportation services. These activities, when operated by and for the institution, must be documented and operated in a fiscally responsible manner.

The University is in compliance.

There are ninety auxiliary accounts at Angelo State University including the University Center, athletics, student housing, the University Clinic, and others. ASU's Fiscal Office maintains careful documentation on all ninety accounts.

Fiscal responsibility in each case is determined by whether or not revenues exceed expenses. Each year a budget is developed for each account based on the history of the specific activity. Periodically, actual revenues and expenses are compared with budgeted amounts. Auxiliary accounts which do not generate revenue are not allowed to exceed their budgeted expenditures. Revenue-generating accounts are sometimes allowed to overspend if they can reasonably expect to generate sufficient additional revenue to offset the deficit by the end of the fiscal year.

Findings

Recommendations

Having determined that Angelo State University complies with all the criteria for Financial Resources, the Self-Study Steering Committee makes no recommendations, but does make the following suggestion.

Suggestions

1. Several departments indicated that storage space is very limited. The Committee suggests that storage space and office space should be explicitly considered in the planning process.

Section VI – Financial Resources Compliance Grid

Must Statement	Compliance Status	Documentation
6.3.1 Financial Resources		
<i>Because the financial resources of an institution influence the quality of its educational program, each institution must possess sufficient financial resources to support all of its programs.</i>	In Compliance	<ul style="list-style-type: none"> • Table 6.3.1.a, above • ASU Recommended Budgets for 1995-96 through 2000-01
<i>The recent financial history of the institution must also demonstrate the financial stability essential to its successful operation.</i>	In Compliance	<ul style="list-style-type: none"> • Table 6.3.1.a, above • ASU Recommended Budgets for 1995-96 through 2000-01
6.3.2 Organization for the Administration of Financial Resources		
<i>The organization of the business office must be consistent with the purpose of the institution, the size of the institution, and the volume of transactions of a business or financial nature.</i>	In Compliance	<ul style="list-style-type: none"> • ASU Organization Chart • Rules and Regulations, The Texas State University System
<i>The chief executive officer must report regularly to the governing board on the financial and business operations of the institution.</i>	In Compliance	<ul style="list-style-type: none"> • ASU Organization Chart • Rules and Regulations, The Texas State University System
6.3.3 Budget Planning		
<i>An institution must prepare an appropriately detailed annual budget.</i>	In Compliance	<ul style="list-style-type: none"> • ASU Budget • Minutes of the Budget Committee • Rules and Regulations, The Texas State University System
<i>Its preparation and execution must be preceded by sound educational planning.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i> • Minutes of the Subcommittee for Academic Budget Planning
<i>Procedures for budget planning must be evaluated regularly.</i>	In Compliance	<ul style="list-style-type: none"> • Minutes of the Budget Committee
6.3.4 Budget Control		
<i>After the budget has been approved by the chief executive officer and adopted by the governing board, a system of control must be established.</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • <i>Fiscal Regulations</i>
<i>The business officer must render interim budget statements on a periodic basis to department heads for their guidance in staying with budgetary allocation.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i>

Must Statement	Compliance Status	Documentation
<i>Necessary budget revisions must be made when actual conditions require such change and must be communicated to those affected within the institution.</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • Fiscal Regulations
6.3.5 The Relation of an Institution to External Budgetary Control		
<i>Enforcement of budgetary law is imperative; however, the educational function of an institution must not be controlled through the use of budgetary techniques or controls by financial officials outside the institution.</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • Fiscal Regulations
6.3.6 Accounting, Reporting and Auditing		
<i>An institution must adopt an accounting system that follows generally accepted principles of institutional accounting as the appear in <i>College and University Business Administration</i>, published by the National Association of College and University Business Officer.</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • Fiscal Regulations
<i>An annual fiscal year audit must be made by independent certified public accountants, or an appropriate government auditing agency, employing as a guide for institutions under the jurisdiction of the Financial Accounting Standards Board (FASB), <i>Audits of Not-For-Profit Organizations</i>, published by the American Institute of Certified Public Accountants (AICPA), or, for institutions under the jurisdiction of the Governmental Accounting Standard Board (GASB), <i>Audits of Colleges and Universities</i>, also published by the American Institute of Certified Public Accountants (AICPA), or, in the case of for-profit institutions, conducted in accordance with generally accepted accounting principles.</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • Annual Texas Audited Financial Report • Since ASU is included in the Texas statewide audited financial report, please see supporting documentation below for the Special Report.
<i>A public institution included in a statewide or system-wide audited financial report, for which a separate institutional audit report is not available for the fiscal year ending immediately prior to the committee</i>	In Compliance	<ul style="list-style-type: none"> • Rules and Regulations, The Texas State University System • Annual Texas Audited Financial Report • The (Texas) State Auditor has been engaged to provide a

Must Statement	Compliance Status	Documentation
<i>visit, must have available, in lieu of audited financial statements, a Standard Review Report in accordance with AICPA Professional Standards AR 100.35 to include current funds expenditure classifications and amounts in accordance with generally accepted principles of institutional accounting, and the institution's current fund balance sheet.</i>		Special Report on ASU's financial statements for the year ended August 31, 2001, as required by SACS.
<i>Institutions in the category must provide either a separate or a consolidate balance sheet. The auditors must not be directly connected with the institution either personally or professionally.</i>	In Compliance	<ul style="list-style-type: none"> • The (Texas) State Auditor has been engaged to provide a Special Report on ASU's financial statements for the year ended August 31, 2001, as required by SACS.
<i>An effective program of internal auditing and financial control must be maintained to complement the accounting system and the annual external audit.</i>	In Compliance	<ul style="list-style-type: none"> • ASU Organization Chart • Rules and Regulations, The Texas State University System
<i>However, in those cases in which a public institution's financial report is included as part of a comprehensive certified state of system financial reports and a separate annual audited report is not available, the institution must have an established procedure to ensure the effectiveness of internal controls.</i>	In Compliance	<ul style="list-style-type: none"> • ASU Organization Chart • Rules and Regulations, The Texas State University System
6.3.7 Purchasing and Inventory Control		
<i>An institution must maintain proper control over purchasing and inventory management.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i>
6.3.8 Refund Policy		
<i>The institution must adhere to a published policy and procedure for refunding fees and charges to students who withdraw from enrollment.</i>	In Compliance	<ul style="list-style-type: none"> • <i>2001-2003 ASU Bulletin</i>
<i>The policy and procedure must be in keeping with generally accepted refund practices in the higher education community, applicable to all students, and clearly stated in appropriate official publications.</i>	In Compliance	<ul style="list-style-type: none"> • <i>2001-2003 ASU Bulletin</i>
6.3.9 Cashiering		
<i>There must be a suitable organization and adequate procedures for the</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i>

Must Statement	Compliance Status	Documentation
<i>management of all funds belonging to the institution.</i>		
<i>The cashiering function should be centralized in the business office, and there must be a carefully developed system of the receipt, deposit and safeguarding of institutional funds.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i>
<i>All persons handling institutional funds must be adequately bonded.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Fiscal Regulations</i>
6.3.10 Investment Management		
<i>The institution must have a written statement of its investment policies and guidelines approved by the board.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Investment Policies</i>
<i>Investment policies and guidelines must be evaluated regularly.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Investment Policies</i>
6.3.11 Risk Management and Insurance		
6.3.12 Auxiliary Enterprise		
<i>These activities, when operated by or for the institution, must be documented and operated in a fiscally responsible manner.</i>	In Compliance	<ul style="list-style-type: none"> • <i>Financial Records in the Fiscal Office</i>