

3.10.3

Financial Resources: Control of finances

The institution exercises appropriate control over all its financial resources.

Judgment

Compliant Non-Compliant Not Applicable

Compliance Report Narrative

Note: Text for all linked documents below can be increased/decreased for ease of reading by pressing your keyboard's Ctrl key while rotating the mouse wheel.

Angelo State University exercises appropriate control over all its financial resources. Financial and operational controls established by the state, the Texas Tech University System, and the institution help ensure that the institution is operated in a prudent and responsible manner. In addition, the institution employs a qualified staff that is empowered to provide systems and procedures for adequate checks, balances, and control over assets.

RISK MANAGEMENT

As described in *The Rules and Regulations of the Board of Regents of the Texas Tech University System*, the board and the principal officers of the TTU System have fiduciary responsibilities in the administration of all funds subject to the control and management of the TTU System ([Section 07.01, Regents' Rules](#)). The system-wide Office of Audit Services has been established to assist the Board of Regents and other units of the Texas Tech University System in identifying, avoiding, and mitigating risks ([Section 07.02.1 Regents' Rules](#)), including financial and other types of risks. The ASU [Office of Environmental Health, Safety and Risk Management](#) also helps ensure adequate controls, high standards, and accountability for the institution.

Office of Audit Services

The Office of Audit Services (OAS) reports directly to the Board of Regents and functions independently of ASU and the other component institutions in the TTU System. Operating policies governing OAS are defined in [Section 07.02, Regents' Rules](#) and in [ASU OP 22.01, Operation of the Office of Audit Services](#). OAS prepares an Annual Audit Report as required by the Texas Internal Auditing Act ([Texas Government Code §2102.009](#)). The [Annual Audit Report for the Year Ended August 31, 2011](#) is attached. Additional examples from previous fiscal years are available on the TTU System website ([Annual Audit Report web page](#)). The Annual Audit Report includes a list of completed audits and other services provided by OAS during the past fiscal year, the audit plan for the upcoming year, organizational charts, a description of the risk assessment process, and documentation of external quality assurance review.

Risk assessment is a major function of OAS and is integral to the annual plan of audits. Managers and other staff at the component institutions are included in the risk assessment process, which helps ensure effective risk management and appropriate distribution of audit resources. In the risk assessment process, OAS staff use professional judgment to identify and analyze potential risks that threaten the achievement of the institution's mission and objectives. Through the risk assessment process, OAS attempts to identify those risks that may impede the achievement of organizational objectives, areas or functions that pose a high risk to the institution or its assets, operational areas or functions needing review or strengthening of internal controls, and areas or functions needing review to help ensure compliance with policies, law, or applicable regulations. The risk assessment process of OAS is far-reaching across the TTU System, ASU, and all other component units or affiliated organizations. Risks identified include business, financial, strategic, operational, clinical, compliance, ethical, and any other identifiable risks that could have an impact on the system.

OAS maintains a list of auditor qualifications for current staff and provides this information to external auditors engaged in audits of ASU. Staff qualifications indicate significant audit experience within the TTU System and with external organizations. This list is available onsite, and a current [organization chart for the TTU System Office of Audit Services](#) is attached.

In addition to the internal audits conducted by OAS, ASU is periodically the subject of audits or reviews performed by the State Auditor's Office, the State Comptroller, the Legislative Budget Board, other state or federal agencies, or external auditors engaged by those agencies. [ASU OP 22.02, Audits and Reviews](#)

by [External Auditors](#), sets forth the procedures for communication among ASU departments and OAS related to audits and reviews by external auditors.

Office of Environmental Health, Safety and Risk Management

The Director of the Office of Environmental Health, Safety and Risk Management reports directly to the Vice President for Finance and Administration and oversees worker's compensation and unemployment compensation. ASU is self-insured for coverage in these areas, as described in [Note 17 of the ASU Annual Financial Report for Fiscal Year 2011](#).

Compliance Hotline

Personnel in the TTU System OAS and ASU's Audit Services and Human Resources offices help ensure adequate controls, high standards, and accountability for the institution. In addition, all employees and constituents of the TTU System are encouraged to report concerns regarding unethical conduct and to attempt to resolve such concerns through established administrative channels. If an individual is unable to effectively address a concern through established procedures, he or she may call the TTU System's hotline, which is published on the [Fraud Prevention page](#) of the [ASU Office of Audit Services website](#). This hotline allows anonymous reporting and is managed through an independent private contractor. Anyone who, in good faith, reports unlawful activity is protected from retaliation by the Texas Whistleblower Act, accessible through ASU's Human Resources [Workplace Notices web page](#), which also lists Other federal and state laws.

FINANCIAL MANAGEMENT

To ensure that institutional assets are accurately managed, recorded, and reported, ASU has segregated financial management duties and assigned overlapping responsibilities among several departments. These departments adhere to the ASU Operating Policies and Procedures and use online systems of financial management to help ensure that all financial transactions meet relevant state, federal, and private industry guidelines.

ASU's Vice President for Finance and Administration (VPFA) is the institution's chief fiscal officer and has the responsibility of ensuring that all policies, regulations, and the highest standards of asset management are followed. The VPFA reports directly to the president of ASU. As indicated in the attached [Finance and Administration Organizational Chart FY 2012](#), the VPFA is supported by the Associate Vice President for Finance and the Assistant Vice President for Finance and oversees the departments of Budget; Business Services; Controller's Office; Environmental Health, Safety and Risk Management; Materials Management; Facilities Management; Facilities Planning and Construction; and University Police. Collectively, these departments ensure adequate checks, balances, and controls over assets, as outlined below. A [roster of key ASU financial personnel](#) is attached.

Budget

The Associate Vice President for Finance and Administration reports directly to the VPFA and oversees the ASU Budget Office, which is charged with planning, overseeing, and reporting the institution's budget to ensure proper management of current resources and adequate funding for future operations. The functions of the Budget Office include preparing the biennial Legislative Appropriations Request (LAR), analyzing legislation relating to higher education issues, maintaining all appointment and financial data related to salaried employees, developing and administering the annual Operating Budget, and preparing reports as required by various state agencies and the university administration, including, for example, the quarterly financial report to the Board of Regents. Examples of these quarterly reports are provided for the first and second quarters of fiscal year 2012 ([Quarterly Board Financial Report for the Period Ending November 30, 2011](#); [Quarterly Board Financial Report for the Period Ending February 29, 2012](#)). Current and past operating budget summaries can be accessed on the ASU [Accountability web page](#). The [ASU Summary Operating Budget for FY 2012](#) is attached.

In addition to overseeing the Budget Office, the Associate VPFA also oversees functions related to human resources and payroll.

Human Resources. The Director of Human Resources reports directly to the Associate VPFA and oversees personnel-related issues for ASU, including employee compensation, benefits, records, employee relations, and training and staff development. The Human Resources office is responsible for ensuring compliance with all state and federal employment regulations and for implementing the ASU Operating Policies and Procedures governing personnel. These policies are published in ASU OP Chapter 52,

Personnel (see [ASU OP Manual](#)), and include written policies and procedures governing personnel-related accounting issues, such as [ASU OP 52.34, Pay Plan](#).

Payroll. The Payroll Coordinator reports directly to the Associate VPFA and oversees payroll related issues for ASU. The ASU Operating Policies and Procedures governing payroll are published in ASU OP Chapter 50, Payroll, which includes [OP 50.01, Reporting Withholding Taxes on Employee Bonuses, Awards, and Prizes](#); [OP 50.02, Distribution of Payroll Checks](#); [OP 50.03, Replacement of Payroll Checks](#); and [OP 50.04, Payroll Deduction Designated to ASU for Charitable Contributions](#).

Business Services

The Executive Director of Business Services reports directly to the VPFA and manages space utilization and space allocation/reallocation requests for ASU in accordance with [ASU OP 74.01, University Facilities](#).

Controller's Office

The Executive Director and Controller reports directly to the VPFA and oversees the offices of Accounting, Accounts Payable, and Student Accounts/Bursar. Each of these offices helps ensure adequate control over institutional assets.

Accounting. Accounting provides expertise and services in the areas of General Accounting, Financial Reporting, and Grant Accounting, as follows:

- The General Accounting function includes maintaining the chart of accounts, reviewing and processing accounting transactions, and reviewing and establishing general accounting policies and procedures.
- The Financial Reporting function includes developing and preparing institutional financial reports, including the Annual Financial Report.
- The Grant Accounting function includes reviewing agreement documents to ensure proper establishment of account structures, reviewing expenditure activity, and preparing required financial reports.

The ASU Operating Policies and Procedures governing general accounting and financial reporting are published in ASU OP Chapter 14, Accounting and Financial, and include written policies and procedures for safeguarding cash ([ASU OP Manual](#)). See, for example, [ASU OP 14.01, Acceptance/Endorsement of Checks](#), and [ASU OP 14.04, Departmental Deposits and Cash Sales Receipt Books](#). The ASU Operating Policies and Procedures governing grant and contract accounting are published in ASU OP Chapter 56, Research, and include written policies and procedures to ensure the sponsored program accounts are managed in accordance with relevant federal, state, and/or private industry guidelines. See, for example, [ASU OP 56.01, Sponsored Research Contracts and Grants](#), and [ASU OP 56.07, Facilities and Administrative Cost Recovery and Disbursement](#).

Accounts Payable. Personnel in Accounts Payable are responsible for issuing timely and accurate payments for goods and services in accordance with [ASU OP 14.05, Expenditure Payment Policy](#).

Student Accounts/Bursar's Office. The Student Accounts/Bursar's Office maintains student tuition accounts and related records and is responsible for all university cash receipts, as described in [ASU OP 14.04, Departmental Deposits and Cash Sales Receipt Books](#).

Environmental Health, Safety and Risk Management

The Office of Environmental Health, Safety and Risk Management is responsible for planning, implementing, and administering the university's health and safety program, and for providing supportive technical consultation, training, investigation, and inspection to ensure compliance with guidelines set forth by federal, state, and local laws and regulations. Its primary functions are to assist the university community in meeting health and safety responsibilities, to prevent or reduce accidents, and to identify and eliminate environmental hazards and dangerous conditions. For more information about this office, please see Comprehensive Standard 3.11.2, Institutional environment.

Materials Management

The Executive Director reports directly to the VPFA and oversees the offices of Contracting, Property Management, Purchasing/Historically Underutilized Business (HUB) Operations, and Travel. Each of these offices helps ensure adequate control over institutional assets.

Contracting. The ASU Contracting Office is responsible for ensuring that appropriate contracting approval authority is maintained for all ASU contracts. The ASU Operating Policies and Procedures governing contracts are published in ASU OP Chapter 30, Contracting (see [ASU OP Manual](#)), and include written policies and procedures for ensuring appropriate approval and processing of all contracts. See, for example, [ASU OP 30.01, Contracting Policy and Procedures](#), and [ASU OP 30.02, Contracting Authorities and Policies](#).

Property Management. The ASU Property Manager oversees the Property Inventory department and is responsible for accounting for all institutional property to the Comptroller of Public Accounts for the State of Texas. The Property Manager works collaboratively with property custodians in each unit and department to maintain a database of the institution's fixed assets using an online property inventory system. For more information about this system and certifications of the institution's physical inventory and capital assets, see Comprehensive Standard 3.11.1, Control of physical resources, and [ASU OP 14.12, Inventory of Property and Equipment](#).

Purchasing/Historically Underutilized Business (HUB) Operations. The Purchasing Department is responsible for ensuring that all ASU purchases for goods and services are in compliance with relevant state and federal statutes, the *Regents' Rules*, and the ASU Policies and Procedures defined in ASU OP Chapter 54, Purchasing and Payables (see [ASU OP Manual](#)). See, for example, [ASU OP 54.04, Purchase of Goods and Services](#). The ASU purchasing card program, ProCard, provides a purchasing alternative that simplifies the process of ordering goods and services. Details regarding the program are provided in the [ASU ProCard Program, New Cardholder Training Guide](#).

As an agency of the State of Texas, ASU supports the state's commitment to providing procurement and contracting opportunities for businesses owned by minorities and women. The ASU Director of Purchasing serves as the university's HUB coordinator and reports directly to the Executive Director of Materials Management. The HUB coordinator is responsible for coordinating institutional efforts to increase the award of goods, services, and construction contracts to HUBs in accordance with rules adopted by the Texas Building and Procurement Commission. [ASU OP 54.02, Historically Underutilized Businesses](#), establishes the institution's policy and outlines procedures for using HUBs in the purchase of goods and services. This OP applies to all purchases of goods and services regardless of source of funds used for payment.

Travel. Personnel in the Travel department help ensure implementation of the policies and procedures defined in ASU OP Chapter 70, Travel, including, for example, [ASU OP 70.04, Reimbursement of Travel Expenses](#), and [ASU OP 70.08, Use of the State Travel Card](#).

Other Areas. Other areas that report to the Executive Director of Materials Management provide a variety of related services to administrative offices and academic departments. These services include mail services, printing services, management of surplus property, and shipping and receiving. See, for example, [ASU OP 74.02, Mail Services](#).

Facilities Management

The Director of Facilities Management reports directly to the VPFA and oversees the ASU Office of Facilities Management. This office in turn oversees energy management/utilities, maintenance and operations of university facilities, and fleet management. For more information on the institution's physical facilities, including the plan for managing deferred maintenance of those facilities, please see Comprehensive Standard 3.11.3, Physical facilities.

Facilities Planning and Construction

The Director of Facilities Planning and Construction oversees the ASU Office of Facilities Planning and Construction and reports jointly to the VPFA and to the Vice Chancellor of Facilities Planning and Construction at the Texas Tech University System. This office in turn oversees the planning, design, and construction of the institution's physical facilities. For more information about this office and policies governing the design and construction of ASU facilities, please see Comprehensive Standard 3.11.3, Physical facilities.

University Police

The Director of Public Safety/Chief of Police reports directly to the VPFA and oversees the ASU Police Department, Parking Services, and the OneCard office. Parking Services issues parking permits and maintains related accounts and records in accordance with [ASU OP 66.01, Traffic and Parking Regulations](#).

The OneCard office administers the ASU OneCard, which is the official university ID card, in accordance with information on the [ASU One Card Office home page](#). Information about the role of the University Police in ensuring the physical security of ASU facilities is provided in Comprehensive Standard 3.11.2, Institutional environment.

MANAGEMENT AND DISTRIBUTION OF ENDOWMENT FUNDS

Responsibility for the investment and management of institutional endowment funds resides at the system level and is overseen and governed by the Board of Regents. The board's Investment Advisory Committee and the TTU System Office of Investments help the board manage endowment investments and distribution. The Investment Advisory Committee is a special committee of the board that is responsible for meeting quarterly with investment counsel, investment managers, and appropriate officers and staff for the purpose of reviewing and consulting with these parties and advising the Board of Regents and the board of directors of the Texas Tech Foundation on asset allocation, investment policy, and investment results. The Office of Investments is charged with managing the system's debt and long term investment spending. The office reports directly to the Chief Financial Officer for the TTU System.

The board has established policies governing the investment of TTU System funds in [Chapter 09, Regents' Rules](#) and in the [Investment Policy Statement for the Short/Intermediate-Term Investment Fund \(SITIF\)](#) and the [Investment Policy Statement for the Long-Term Investment Fund \(LTIF\)](#). The SITIF is the principal cash fund of the TTU System, and the LTIF is composed of ASU's endowment and other long-term institutional funds.

The LTIF is managed primarily by external investment management organizations in accordance with investment manager guidelines ([Section 12, Investment Policy Statement for the LTIF](#)) and under the guidance of the Investment Advisory Committee and the Chief Investment Officer in the Office of Investments. The spending rate on LTIF investment earnings is governed by the spending policy detailed in [Section 9, Investment Policy Statement for the LTIF](#).

For more information on the Investment Advisory Committee, the Office of Investments, and a summary of returns, assets, and annual spending on the LTIF for the past three fiscal years, please see Capital Investments in Comprehensive Standard 3.10.1, Financial stability.

Fund raising aimed at increasing ASU endowment funds is coordinated internally through the Office of Development under the direction of the ASU president. In addition, the ASU Foundation, Inc., an independent, separately incorporated foundation, solicits gifts in support of ASU. For more information, please see Fund Raising in Comprehensive Standard 3.10.1, Financial stability.

Off Site Team Comments

Policies and procedures are evident for cash controls, endowment funds, and approval of expenditures. Oversight by management and internal auditors for risk areas is supported by the ASU Office of EHS and Risk Management and extensive operating policy and procedures for every department. Information about the investment policy is presented as part of the TTU system policy.

However, no evidence is presented to indicate that mitigation of risk is exercised. No evidence of regular reconciliations is presented.

University Response

ASU performs numerous reconciliations in order to mitigate risk ([Reconciliations](#)). Please see the following attachments for examples of the reconciliations that are performed:

- [Bank Account Reconciliation](#)
- [Banner Student Billing Reconciliation](#)
- [Carr Foundation Reconciliation](#)
- [Clearing Account Reconciliation](#)
- [ERS Reconciliation](#)
- [Gross to Net Reconciliation](#)
- [Monthly Operating Report Reconciliation](#)

Payroll Liability Reconciliation
Petty Cash Reconciliation
Postage Reconciliation
Quarterly Payroll Tax Reconciliation
Rambucks Reconciliation
Sales Tax Reconciliation
Texpool Investment Reconciliation
Third Party Contracts Reconciliation
Third Party Exemptions Reconciliation
Vault Audits

In FY 2010, the internal audit department at Angelo State University conducted a [Cash Controls Audit](#) and a [Cash Reconciliations Audit](#) to further mitigate risk. All of the audit recommendations have been implemented by the university.