REPORT TO MANAGEMENT ON
FOLLOW-UP AUDIT OF RECEIVABLES
LAMAR INSTITUTE OF TECHNOLOGY
JUNE 2003
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June 23, 2003

Dr. Robert Krienke, President
Lamar Institute of Technology
P.O. Box 10043
Beaumont, TX 77710

Dear Dr. Krienke:

Enclosed is the audit report entitled, *Report to Management on Follow-Up Audit of Receivables, June 2003*. The primary focus of the audit was to evaluate management’s progress in implementing the prior audit recommendation addressed in April 2002.

Internal Audit has continued to audit this follow-up since fiscal year 2000.

Management has partially implemented the outstanding recommendation. Management continued to review the deficit cash and fund balances, stagnant receivables, and negative accounts payable and make the necessary adjustments. However, there are still deficit balances that may lead to inaccurate financial reporting.

Based on the criteria prescribed by the *Rules and Regulations* of The Texas State University System, the audit is a Category II.

We appreciate the assistance received from management during our audit. If you should have comments or questions, I am available, at your convenience, to review the report.

Sincerely,

Twila Baker
Director of Internal Audit
DETAILED FINDINGS
AND
RECOMMENDATIONS
CONTINUATION TO RESEARCH AND ADJUST THE ACCOUNTS

Prior Audit Recommendation:

We recommend management research the deficit cash and fund balances, stagnant receivables, and negative accounts payable and make the necessary adjustments to these accounts upon completion of the review.

Management has partially implemented the prior audit recommendation.

Internal Audit noted the following accounts either increased or decreased since the prior audit:

- Deficit cash and fund balances from seven (7) accounts totaled $92,289.81.

<table>
<thead>
<tr>
<th>Name of Accounts</th>
<th>April 18, 2002</th>
<th>August 31, 2002</th>
<th>June 24, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Gifts</td>
<td>$42,312.78</td>
<td>$42,283.46</td>
<td>$42,008.16</td>
</tr>
<tr>
<td>Supplemental SV</td>
<td>41,105.55</td>
<td>-.10</td>
<td>20,858.53</td>
</tr>
<tr>
<td>TIFB Grant FY2002</td>
<td>73,118.22</td>
<td>13,605.77</td>
<td>23,477.15</td>
</tr>
<tr>
<td>Scholarship Clr</td>
<td>1,365.61</td>
<td>1,365.61</td>
<td>1,365.61</td>
</tr>
<tr>
<td>Restr Spons Fed Clrg</td>
<td>N/A</td>
<td>2,517.00</td>
<td>2,517.00</td>
</tr>
<tr>
<td>FFELP-Stafford</td>
<td>1,749.12</td>
<td>1,749.12</td>
<td>1,749.12</td>
</tr>
<tr>
<td>THECB Guid/Counseling</td>
<td>N/A</td>
<td>314.24</td>
<td>314.24</td>
</tr>
</tbody>
</table>

- Stagnant receivables from three (3) accounts totaled $43,499.00. Management closed a receivables account at the end of fiscal year 2002.

<table>
<thead>
<tr>
<th>Name of Accounts</th>
<th>April 18, 2002</th>
<th>August 31, 2002</th>
<th>June 24, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student ID Fees</td>
<td>$ -18.45</td>
<td>$ 0.00</td>
<td>Closed</td>
</tr>
<tr>
<td>Scholarship Clr</td>
<td>16,267.17</td>
<td>16,267.17</td>
<td>$16,267.17</td>
</tr>
<tr>
<td>Eber Ephlin Loan Fd</td>
<td>15,496.91</td>
<td>27,231.83</td>
<td>27,231.83</td>
</tr>
</tbody>
</table>
Negative accounts payable totaled $16,246.35.

<table>
<thead>
<tr>
<th>Name of Account</th>
<th>April 18, 2002</th>
<th>August 31, 2002</th>
<th>June 24, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education/Gen</td>
<td>$3,489.51</td>
<td>$4,592.43</td>
<td>$16,256.35</td>
</tr>
</tbody>
</table>

Management stated the finance staff has researched and corrected these accounts. Also, the staff is continuing this process and making necessary adjustments as needed.

Management should continue to research the deficit cash and fund balances, stagnant receivables, and negative accounts payable and make the necessary adjustments. This could affect Lamar Institute of Technology’s current and future financial statements. Also, it would be difficult for management to figure and adjust the balances in a timely manner if the balances either stay the same or increase through the year.

**RECOMMENDATION**

We recommend management continue to research the deficit cash and fund balances, stagnant receivables, and negative accounts payable and make the necessary adjustments to these accounts upon completion of the review.

**MANAGEMENT’S RESPONSE**

We concur with this recommendation. LIT finance personnel are currently researching all deficit cash and fund balances, stagnant receivables, and negative accounts payable balances to make necessary adjustments. All accounts referenced in the audit with one exception have been researched and adjusted as of August 31, 2003. The remaining account is being researched and necessary adjustments will be made in September 2003.
REPORT TO MANAGEMENT ON
FOLLOW-UP AUDIT OF RECEIVABLES

LAMAR INSTITUTE OF TECHNOLOGY
JUNE 2003

Lamar Institute of Technology
Dr. Robert Krienke, President
Mr. Jonathan Wolfe, Vice President for Finance and Operations
Ms. Bonnie Albright, Director of Finance/Cash Management

The Texas State University System
Mr. J. Wiley Thedford, Vice Chancellor of Finance
Mr. Jerry W. Neef, Director of Audits and Analysis

Project Auditors
Ms. Twila Baker, Project Director
Ms. Daphne McIntire, Project Auditor