PROJECT SUMMARY

Overview

Overall, the financial and management controls over Tarleton State University’s housing program provide reasonable assurance that the University is operating in compliance with applicable laws and policies. Some opportunities for improved controls were noted in the areas of financial management, key returns, and position descriptions.

The Department of Residential Living and Learning (RL&L) is responsible for managing and operating campus student housing and is undergoing strategic and organizational changes. A consulting firm is currently under contract to develop the University’s Housing Master Plan and to provide a housing market analysis to help determine future housing needs.

Summary of Management’s Response

Residential Living & Learning (RL&L) will benefit from the implementation of the recommendations made. This review highlighted areas that can benefit from tighter controls and RL&L will make staffing, software and process changes by fall 2013 to address the observations outlined in this review.

Scope

The review of the University’s student housing operations focused on the areas of cash receipts; billing; financial accounting and reporting; receivables; deferred maintenance; reserves; rates; and safety and security. The audit period focused primarily on activities from September 1, 2011 to October 30, 2012. Fieldwork was conducted from October 8, 2012 to November 30, 2012.
### OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

#### 1. Financial Management

**Observation**

Opportunities exist to improve controls over financial management practices and controls. Improvements can be made in the areas of financial reporting, accounting, and cash handling as noted below:

- **Financial Reporting** – Periodic financial statements are not being prepared for RL&L. While the current practice in RL&L is to review weekly printouts of the Financial Accounting Management Information System (FAMIS) operating and reserve accounts to monitor the financial status of various RL&L operations, these FAMIS accounts are residence hall specific for the newer buildings, and there is an aggregated FAMIS account for the older residence halls. Individually, these FAMIS accounts do not provide the broader view of the RL&L that a comprehensive financial statement would provide. For example, profit and loss of overall housing operations is not captured in individual accounts. A&M System regulations on financial reporting states that academic institutions are encouraged to maintain proprietary basis reports of expenses and revenues and a comprehensive balance sheet for the results of operations of auxiliary enterprises and service departments.

- **Accounting Practices** – Transfers of funds between RL&L FAMIS accounts are not being made to clearly show how deficits of one account are being supported by another account. Instead, expenditures from one housing account are directly made to support the activities of another housing account. This accounting practice results in one account overstating operating expenses and one account understating operating expenses, while obscuring the actual performance of the related housing activities.

- **Cash Handling** – Student workers receiving cash in the RL&L for room deposits and room damage fees are also recording these transactions in the Residential Management System application. This lack of segregation of duties weakens the control environment over cash receipting and recording, which increases the risk that errors and/or the misappropriation of
1. Financial Management (cont.)

funds may occur and not be detected in the normal course of business operations.

**Recommendation**

Management should consider developing periodic financial statements for RL&L that would provide a comprehensive assessment of operating activity and fund balances for each part of RL&L operations. Use transfers to/from RL&L accounts to provide transparency in the accounting for financial operations involving usage of one account fund to support the operations of other RL&L accounts. To strengthen the control environment over revenue management, properly segregate the cash receipting process from the revenue recording process in RL&L. In addition, perform reconciliations between the Residential Management System application and FAMIS.

**Management’s Response**

RL&L, as an auxiliary enterprise, will explore partnering with Business Services to identify potential financial statement solutions. RL&L has purchased QuickBooks as a software solution to produce comprehensive financial reports that can be used in conjunction with FAMIS records. An implementation target date of June 1, 2013 has been identified to begin the data input process with the intent to produce year-end reports for fiscal year 2013 to enable RL&L to more accurately track and reconcile revenue and expenditures. This solution will allow RL&L to more accurately account for the use of funds within each account. With increased tracking, staff will have the ability to proactively request transfers to cover deficits.

RL&L will redesign work processes and staffing levels to segregate the duties of collecting and recording cash receivables. A part-time team member will join the RL&L team beginning May 1, 2013. That team member will be assigned duties and responsibilities related to financial management.

2. Documentation of Key Returns

**Observation**

Key return processes need strengthening.

Key returns were not being consistently verified by RL&L staff when room condition sheets were submitted with missing information regarding key returns. This situation increases the risk that former residents retain keys and have inappropriate access to residence halls and rooms. Pertinent information must
be identified, captured and communicated on the room condition sheets to ensure responsibilities are carried out and completed.

**Recommendation**

Improve the student housing check-out process to ensure all keys are returned. If the room condition sheets are to be used for documenting the key return process, ensure these forms are completed.

**Management’s Response**

*RL&L will re-design both the room condition sheet and the check-out process to accurately account for key returns. The re-design will include training for the RL&L team. Training will occur during Summer Institute and procedural changes will take effect with fall 2013 residents.*

**3. Position Descriptions**

**Observation**

The requirement to live on campus is not included in the position descriptions for residential coordinators and graduate assistants, even though these positions are required to live on campus and are provided a meal plan as a nontaxable fringe benefit. To avoid any potential conflicts with the Internal Revenue Service (IRS) this requirement to live on campus should be included in the position descriptions. IRS Code Title 26 states that “there shall be excluded from gross income of an employee the value of any meals or lodging furnished to him, his spouse, or any of his dependents by or on behalf of his employer for the convenience of the employer, but only if (2) in the case of lodging, the employee is required to accept such lodging on the business premises of his employer as a condition of his employment.” The IRS allows the benefits to be nontaxable if the requirement is for the benefit of the employer.

**Recommendation**

Revise the residential coordinator and graduate assistant position descriptions to include the requirement to live on campus.
Management’s Response

3. Position Descriptions (cont.)  

RL&L has revised the job description to accurately reflect the requirement to reside on campus for both the residential coordinator and graduate assistant positions.
BASIS OF REVIEW

Objective

Evaluate the controls over student housing operations and determine the extent to which financial operations and physical security controls are operating efficiently and effectively and in compliance with laws and policies.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Department of Residential Living and Learning is responsible for managing and operating campus housing for undergraduate students, graduate students, and camp participants. The Department currently operates 13 on-campus residence halls and contracts with five off-site apartment complexes, serving approximately 2,800 student residents. The Department has a total of 16 full-time employees, 4 graduate assistants, 69 residential leaders, 15-20 student workers for facility maintenance, and 20-30 office assistants. The Department is currently using the residential living and learning community program model offering student residents a community setting that empowers residents to value learning, citizenship and diversity through faculty and peer engagement.
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