

The Texas A&M University System Internal Audit Department

MONTHLY AUDIT REPORT



September 20, 2017



The Texas A&M University System Internal Audit Department
September 2017

TABLE OF CONTENTS

West Texas A&M University
Tuition and Fees



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

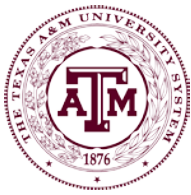
WEST TEXAS A&M UNIVERSITY

Tuition and Fees

September 20, 2017

**Charlie Hrncir, C.P.A.
Chief Auditor**

Project #20171801



Overall Conclusion

Overall, the controls established over tuition and fee processes at West Texas A&M University are effective in providing reasonable assurance that the university is operating in compliance with applicable laws, policies, regulations, and university procedures with the exception of collection procedures for student receivables. Opportunities for improvement exist for student billing, account reconciliations, and student set aside notifications.

Areas Reviewed

- Account reconciliations
- Exemptions and waivers
- Student receivables
- Tuition and fee charges
- Tuition set aside processes

Summary of Audit Results

Significant Observations

- Improvements are needed to ensure that timely collection procedures are applied to delinquent student accounts receivable.

Notable Observations

- Student billing procedures need improvement to ensure that students are charged the correct amounts for tuition and fees.
- Improvements are needed to ensure timely clearing of reconciling items.
- Tuition set aside notices are not provided to students.

Summary of Management's Response

West Texas A&M University management agrees with the findings and recommendations to improve and ensure timely collection procedures are applied to all delinquent student accounts. These procedures will be applied no later than November 30, 2018.

Management will also strengthen and simplify student billing procedures ensuring all students are charged the correct amounts for both tuition and fees. Management will improve the timely clearing of reconciling items related to student accounts and all students will receive timely notification about the legislatively mandated set asides from their tuition payments. These three observations will be addressed no later than November 30, 2018.

Detailed Results

1. Collection Procedures for Student Accounts Receivable

Improvements are needed to ensure that timely collection procedures are applied to delinquent student accounts receivable. Eighteen of 30 (60%) student accounts receivable reviewed had exceptions to demand letters, collection referrals or state warrant hold requirements. Four accounts had no collection procedures applied, five were never placed on state warrant hold, and nine were not placed on state warrant hold within six months of delinquency. In addition, state warrant holds are not applied to delinquent short-term student loans.

Financial aid adjustments were made to student accounts in June 2016 for the preceding spring semester. There was a lack of communication between the financial aid office and student business services, and the account review process at the end of each semester cycle did not identify all student accounts with past due balances for collection procedures.

Implementation of the state warrant hold process has been slow, and there has been turnover in the position responsible for the collection procedures. State warrant holds did not begin until April 2016 and were not consistently applied to the spring and summer 2016 delinquent accounts. Accounts with university payment agreements were not placed on state warrant hold although there are other students making payments to the collection agency that are on hold.

Short-term (45-90 days) student loans are administered and serviced by an outside company that provides demand letters. If there is no response to the demand letters, the accounts are sent to a collection agency; however, no state warrant holds are placed for the delinquent loans.

Although the university has made significant improvements in student account collections in the last two years, additional improvements are needed to ensure that collection procedures are in compliance with A&M System Regulation 21.01.04, *Extension of Credit*. Collection procedures are not consistently applied and the current procedures do not place state warrant holds on delinquent accounts until 180 days after the account is declared delinquent. The A&M System regulation states that members should use the State Comptroller's warrant hold process when debts are determined to be delinquent. Reducing the time between demand letters, collection agency referrals, and state warrant holds, and more consistent application of collection procedures may provide greater opportunities for collection of delinquent debts.

Recommendation

Review and update the university's collection procedures to reduce the time between account delinquency and placing state warrant holds in compliance with A&M System Regulation 21.01.04. Establish monitoring and review procedures to ensure that collection procedures are applied in a timely manner to delinquent accounts, including state warrant holds for delinquent student loan receivables.

Management's Response

West Texas A&M University management agrees with the recommendation to review and update existing collection procedures. Existing procedures will be strengthened to reduce the time between account delinquency and placement with the State of Texas warrant hold program. The review and update of our procedures will also include the student loan receivable process and the timeliness of placement with the State of Texas. Processes and procedures will be in place no later than November 30, 2018.

2. Student Billing

Student billing procedures need improvement to ensure that students are charged the correct amounts for tuition and fees. Six of 30 (20%) student billing statements reviewed did not agree to applicable tuition and fee tables. Four accounts had tuition charges from one fiscal year rate table and fee charges from a different fiscal year rate table; one account had the wrong fiscal year rate table charges for both tuition and fees; and one account had charges that did not agree to any published rate tables.

The university has established a complex system for billing students, including a guaranteed tuition plan for every student at both the undergraduate and graduate levels. Multiple registration rate tables have been created by combining tuition tables and separate fee tables determined by residency, cohort year, class level, and student type. The university had 276 active rate tables for the fall 2016 semester.

There has been turnover in the position responsible for establishing the tuition and fee tables and the rules of how the tables are to be applied for each student. Although there is a process to review and test new tables and rules, it is very time consuming due to the large number of rate table combinations. Therefore, testing of every possible student billing situation was not completed. Without adequate testing and monitoring of billing processes, the risk of inaccurate student charges and noncompliance with approved and published tuition plans is increased.

Recommendation

Review the current tuition and fee structure for opportunities to simplify the process of student billing. Establish monitoring processes to ensure that tables and rules are correctly created and applied for accurate billing of tuition and fees.

Management's Response

West Texas A&M University management agrees with the recommendation to simplify the process of student billing. Many of the existing challenges are a result of offering guaranteed tuition and fee plans to all students; in-state, out-of-state, graduate and undergraduate. In fact, West Texas A&M University no longer offers guaranteed plans to our graduate students. Processes and rules will be designed to ensure current and future billing tables are created accurately and are easily understood and applied by employees that work with them. Processes and rules will be implemented no later than September 30, 2018.

3. Account Reconciliations

Improvements are needed to ensure timely clearing of reconciling items.

Five of ten (50%) account reconciliations had outstanding reconciling items ranging from five months to over three years old. One account has an outstanding reconciling amount of \$15,000 which has been unexplained since June 2013. Although there has been research into the reason for unexplained differences each month, the issue has not been resolved. Some accounts with smaller outstanding amounts were scheduled to be reviewed and cleared at the end of the fiscal year rather than when the outstanding items were identified.

The university has taken actions to strengthen the reconciliation process; however, additional improvements are needed. Assignment of account reconciliation responsibilities has changed and there is not a consistent approach to performing account reconciliations such as an account reconciliation template. Account reconciliation formats were different for the majority of the ten reconciliations reviewed. Although a monitoring process has been established, it could be enhanced to provide more timely decisions on how to resolve outstanding issues. The older outstanding items are generally more complicated and often require management decisions to make the necessary corrections.

Timely reconciliations are an important control for the detection of errors, discrepancies, and systemic problems. Monitoring and oversight of the reconciliation process is important to ensure that employees understand account reconciliation processes, and how and when to alert management to issues or problems in resolving outstanding items.

Recommendation

Develop a consistent approach to performing account reconciliations, and train employees on account reconciliation requirements. Enhance the monitoring processes to ensure that outstanding items are identified and cleared in a timely manner.

Management's Response

West Texas A&M University concurs with the recommendation to strengthen the university's reconciliation process and formalize trainings for new and existing employees that are tasked with reconciling accounts. Included in these trainings will be newly designed processes to help our employees identify and clear outstanding items in a timely manner. The new process will be implemented no later than November 30, 2018.

4. Tuition Set Aside Notifications

Tuition set aside notices are not provided to students. The Texas Education Code mandates that a portion of the university's designated tuition be set aside to provide financial assistance for qualifying students. Students are to be notified each semester of the specific amount of funds set aside by the institution from their tuition payment. There has been turnover in personnel involved in student billing and current personnel were not aware of the requirement that students be notified each semester of tuition set aside amounts, resulting in noncompliance with state requirements.

Recommendation

Provide students with a notice of the specific amount that is set aside from their tuition payments as required by the state.

Management's Response

West Texas A&M University management will comply with the recommendation to provide notification to all students of the legislatively mandated amount of designated tuition to be set aside from their tuition payment for financial assistance to qualified students. The university will be in compliance no later than September 30, 2017.

Basis of Review

Objective and Scope

The objective of this audit was to review controls and processes for tuition and fee revenues and expenditures to determine if processes are in compliance with applicable, laws, policies, regulations, and university rules.

The audit focused on account reconciliations, exemptions and waivers, student receivables, tuition and fee charges, and tuition set aside processes. The audit period was primarily January 1, 2016 through March 31, 2017. Fieldwork was conducted from May to June, 2017.

Methodology

Our audit methodology included interviews, observation of processes, review of documentation, and testing of data using sampling.

To determine the timeliness and accuracy of account reconciliations, auditors used professional judgment to select a non-statistical sample of ten account reconciliations designed to be representative of the population.

To determine whether exemptions and waivers were verified and supported, auditors used professional judgment to select non-statistical samples of 30 exemptions and 30 waivers designed to be representative of the population.

To determine if student accounts receivable collection processes were in compliance with A&M System regulations, auditors used professional judgement to select a non-statistical sample of 30 delinquent student accounts designed to be representative of the population.

To determine if tuition and fee charges were correctly applied to student cohorts, auditors used professional judgment to select a non-statistical sample of 30 student billing statements designed to be representative of the population.

Criteria

Our audit was based upon standards as set forth in Texas A&M University System Policies and Regulations; West Texas A&M University rules and procedures; Texas Education Code; and other sound administrative practices. The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Additionally, we conducted the 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.

Audit Team

Amanda Dotson, CPA, CIA, Director
Sandy Ordner, CPA, CIA, Senior Manager
Danielle Carlson, CPA, CIA
Ana-Lisa Liotta
Joseph Nunez
Bryan Williamson

Distribution List

Dr. Walter Wendler, President
Mr. Randy Rikel, Vice President for Business and Finance
Dr. Wade Shaffer, Provost and Vice President for Academic Affairs
Mr. Michael Knox, Vice President for Student Affairs
Mr. Mark Hiner, Assistant Vice President for Business and Finance
Ms. Shelly Davis, Associate Vice President for Business and Finance and Controller
Dr. Angela Spaulding, Vice President for Research and Compliance and Dean of Graduate Studies