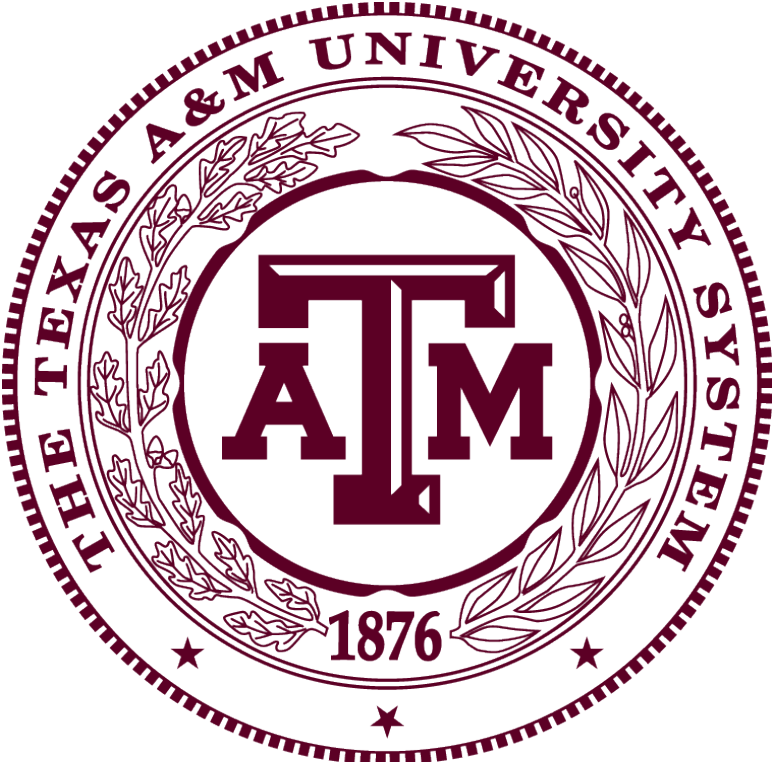


The Texas A&M University System Internal Audit Department

MONTHLY AUDIT REPORT



June 7, 2018



The Texas A&M University System Internal Audit Department  
June 2018

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Texas A&M University – Central Texas  
Tuition and Fees



System Internal Audit  
THE TEXAS A&M UNIVERSITY SYSTEM

# TEXAS A&M UNIVERSITY - CENTRAL TEXAS

## Tuition and Fees

**June 7, 2018**

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

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**Project #20182401**



## Overall Conclusion

The internal controls over tuition and fee processes at Texas A&M University – Central Texas (A&M – Central Texas) are operating in compliance with applicable policies and procedures with the exception of timely account reconciliations. Opportunities for improvement were also noted for Hazlewood exemptions, tuition set asides, student receivable collection procedures, and student account write-offs.

### Audit Areas

- Account reconciliations
- Set aside calculations
- Exemptions and waivers
- Student billing
- Student receivables
- Sponsored student billing and collections
- Vendor access to Banner

Management concurred with the audit recommendations and indicated that implementation will occur by the end of June 2019.

## Summary of Audit Results

### Significant Observations

- Improvements are needed to ensure timely account reconciliations.

### Notable Observations

- The university's recreational sports fee is being charged to students with the Hazlewood exemption.
- The designated tuition set aside amounts for undergraduate and graduate students have not been accounted for separately.
- Improvements are needed to ensure that timely collection procedures are applied to delinquent student accounts receivable in compliance with A&M System regulations.
- Uncollectible student accounts receivable have not been written off in compliance with university procedures.

## Detailed Results

### 1. Account Reconciliations

**Improvements are needed to ensure timely account reconciliations.** Account reconciliations have not been performed for all tuition and fee related accounts.

Six of ten (60%) accounts reviewed were not reconciled. One of the four reconciliations reviewed contained a \$657 unexplained difference. Also, the student accounts receivable balance in the financial accounting system, FAMIS, is not reconciled to the student information system, Banner. Reliance is placed on daily reconciliations of Banner to FAMIS transaction feeds, with no periodic reconciliation of account balances. In addition, the Tarleton to A&M – Central Texas account transfers in fiscal year 2015 have not been fully researched and resolved.

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

Reconcile tuition and fee related accounts and clear outstanding items in a timely manner in compliance with university procedures. Reconcile the FAMIS student accounts receivable balance to Banner.

#### Management's Response

We agree with the importance of reconciling tuition and fee related accounts and clearing outstanding items in a timely manner. We have added these reconciliations to our monthly process. Because the accounts have not been reconciled previously, we are unsure of what issues we may encounter. Our goal is to have all of these reconciliations complete and outstanding items cleared by June 30, 2019.

## 2. Hazlewood Exemption of Recreational Sports Fee

**The university's recreational sports fee is being charged to students with the Hazlewood exemption.** Eleven of 19 (58%) student accounts reviewed with Hazlewood exemptions did not include the \$100 recreational sports fee in the exemption. As a result, the fee was paid by the student, or other student aid. The remaining eight student accounts reviewed did not have in-person classes at the main campus and were not subject to the fee.

A&M – Central Texas misinterpreted the recreational sports fee as a student services fee not covered by the Hazlewood exemption. The Texas Education Code requirements include recreational sports fees in the Hazlewood exemption. Since the university initiated the recreational sports fee in the fall 2016 semester, 185

students with Hazlewood exemptions were charged \$30,000 for recreational sports fees.

Recommendation

Include the recreational sports fee in the Hazlewood exemption. Coordinate with the System Offices to determine what actions should be taken for student accounts which did not include the recreational sports fee in their Hazlewood exemption.

Management’s Response

Management agrees with the findings and recommendations and has included the recreational sports fee under the Hazlewood exemption. Programming for inclusion was completed prior to April 23, 2018. Based on coordination with System Offices, refunds for previously billed recreational sports fees to Hazlewood exemption recipients will be processed no later than June 15, 2018.

3. Designated Tuition Set Asides

**The designated tuition set aside amounts for undergraduate and graduate students have not been accounted for separately.** Fiscal year 2017 graduate student set aside amounts totaling \$146,000 were posted to the undergraduate student set aside subsidiary ledger account in error. The accounts set up to record designated tuition set asides include one general ledger account with separate subsidiary ledger accounts for undergraduate and graduate awards tied to it. The set aside transfers were identified separately in the general ledger transactions, but the associated budget adjustments were not regularly made to the subsidiary ledger accounts. Therefore, the subsidiary ledger accounts could not be relied upon to provide guidance to the financial aid office on what was available for graduate students versus undergraduate students.

Texas Education Code requires that funds set aside from graduate tuition only be used for graduate students, and funds set aside from undergraduate tuition only be used for undergraduate students. Using separate general ledger accounts for undergraduate and graduate set asides would clearly separate this activity and make it easier to keep the subsidiary ledger accounts up to date and provide clear records of the amounts collected from and awarded to undergraduate and graduate students.

Recommendation

Account for designated tuition undergraduate and graduate set aside funds separately.

Management’s Response

We have created separate general ledger accounts to track the undergraduate and graduate set aside funds separately. The activity will be completely separated by July 1, 2018.

4. Collection Procedures for Student Accounts Receivable

**Improvements are needed to ensure that timely collection procedures are applied to delinquent student accounts receivable in compliance with A&M System regulations.** Seven of 30 (23%) student accounts receivable reviewed had exceptions to demand letters, payment agreements, or state warrant hold requirements. Students with delinquent student account balances are excluded from collection activities if they sign payment agreements with the university prior to the initiation of collection activity. However, student payment agreements are not monitored to ensure that payments are being made timely. Four of six (67%) payment agreements reviewed were in default. Adding state holds to accounts with payment agreements, and monitoring payment agreements to begin collection procedures as soon as accounts are in default would provide greater opportunities for collection of delinquent debts.

Recommendation

Incorporate changes in collection procedures to include student accounts with payment agreements. Monitor signed payment agreements to ensure timely payments are being made, or delinquent account procedures are promptly initiated.

Management’s Response

Management agrees with the findings and recommendations. We have incorporated into our collection procedures the process of adding state holds to accounts with payment agreements. All previous accounts will be complete by June 29, 2018. The next collection file that is scheduled for September 2018 will include the updated procedures for adding state holds to accounts with payment agreements.

We will review all repayment agreements and initiate collection efforts for all delinquent accounts by August 31, 2018. Our processes and procedures have been updated to include monitoring of payment agreements and timely collection efforts initiated for defaulted accounts.

## 5. Write-Off of Student Accounts Receivable

**Uncollectible student accounts receivable have not been written off in compliance with university procedures.** There have been no write-offs of student accounts receivable since A&M - Central Texas separated from Tarleton in fiscal year 2015. Without writing off student accounts deemed uncollectible, the university's accounts receivable balance does not accurately reflect future cash flow expectations. University procedures state that uncollectible accounts over 750 days old should be written off. Student accounts receivable dated prior to the transition were \$300,000. The university currently has \$590,000 in student receivables more than 750 days past due.

### Recommendation

Write-off uncollectible student accounts receivable in compliance with university procedures.

### Management's Response

Management agrees with the findings and recommendation. Student accounts receivable amounts prior to the transition (2009 – summer 2014) will be written off by August 31, 2018. Student accounts receivable amounts from fall 2014 – summer 2016 will be written off by February 28, 2019. Continuous monitoring of student receivable amounts more than two years past due (730 days) will be implemented to ensure timely write-offs that tie with year-end closeout.



## Basis of Review

### Objective and Scope

The objective of this audit was to review the university’s controls over tuition and fee revenues and expenditures to determine if the university is in compliance with applicable laws and policies.

The audit focused on compliance and monitoring processes in the following areas:

- Account reconciliations
- Set aside calculations
- Exemptions and waivers
- Student billing
- Student receivables
- Sponsored student billing and collections
- Vendor access to Banner

The audit period was primarily January 2017 to February 2018. Fieldwork was conducted from February to March 2018.

### Methodology

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

- 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 tuition and fee charges were correctly applied to student cohorts, auditors used professional judgment to select a non-statistical sample of 56 student billing statements 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

judgment to select a non-statistical sample of 30 delinquent student accounts designed to be representative of the population.

## Criteria

Our audit was based upon standards as set forth in the following:

- Texas A&M University System Policies and Regulations
- Texas A&M University - Central Texas rules and procedures
- Texas Education Code
- 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**

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