

The Texas A&M University System Internal Audit Department



Monthly Audit Report
November 13, 2019

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Texas A&M University
Student Receivables



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

STUDENT RECEIVABLES

November 13, 2019

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Project #20190211



Overall Conclusion

Internal controls over student accounts receivable at Texas A&M University are operating as intended and in compliance with applicable laws and policies. Opportunities for improvement were noted related to a student information system implementation error and third-party receivables.

Audit Areas

- Loan receivables
- Reconciliations
- Student receivables
- Third-party receivables
- Write-offs

Management concurred with the audit recommendations and indicated that implementation will occur by the end of June 2020.

Detailed Results

1. Student Information System Implementation Error

An error associated with the application of payments in the student information system for fiscal years 2010 and 2011 has not been resolved.

The error is related to one sponsor account comprised of departments internal to the university. At the time of the student information system implementation, the application of payment function for this account did not match payments to receivables correctly primarily due to the large volume of transactions for that sponsor. Enterprise Information Systems (EIS) and Student Business Services (SBS) departments have spent a significant amount of time over the last 6 years working to resolve the issue. The system takes up to 18 hours of processing time once a month to attempt a correction of the application of payment for this sponsor.

Management should design controls to ensure that all transactions are completely and accurately recorded. Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.

Recommendation

Create a formal plan of action to resolve the implementation error including milestones and estimated timelines. The plan should be reviewed and approved

by appropriate levels of management in the Divisions of Finance and Operations and Enrollment and Academic Services.

Management's Response

Management agrees with the recommendation and as a result implemented a resolution in September 2019. EIS synchronized all of the individual invoice records and corresponding contracts through a program correction. All balances on affected contracts are applied, and the balance is now zero.

2. Third-Party Receivables

Final notices were not sent timely for 8 of 30 (26%) sponsor accounts tested. The notices ranged from 384 days past due to five having not been sent at all. SBS is responsible for third-party billing totaling \$99 million annually. The exceptions noted total \$25,000.

The department experienced turnover in individuals responsible for specialized billing including losing a full-time position for a period of time. The exceptions noted were from receivables during this time period. The transition of duties in this area led to invoices not being sent timely or being overlooked altogether. In addition, many third-party sponsors require custom billing procedures, increasing the complexity and timeliness of collections.

A&M System Regulation 21.01.04, *Extension of Credit*, requires each member to adopt guidelines to establish and determine the liability for delinquent obligations. Procedures to monitor these past due accounts were not adequate to ensure notices were sent timely. Delayed billing correspondence could affect the collectability of accounts.

Recommendation

Continue efforts to collect outstanding third-party sponsor account balances. Ensure monitoring processes are in place to identify past due receivables that have not been billed.

Management's Response

Management agrees with the recommendation. Beginning spring of 2018, the collection process changed to charge the student for unpaid sponsored invoices within the semester. Therefore, any future collections for these balances will be performed under our automated student account collection process with timely

notices upon student termination and submittal to one of the five collection agencies.

As for the past due sponsored student accounts receivable prior to this change, we have a plan in place to work with the student and sponsor to collect the delinquent balances. A monthly status meeting reviewing the progress will occur and any changes needed will be implemented ensuring progress in our collection efforts.

Target Date: June 1, 2020

Basis of Audit

Objective and Scope

The objective of this audit was to assess internal controls over student accounts receivable at Texas A&M University to determine if the university is in compliance with applicable laws and policies.

The audit focused on the following areas:

- Loan receivables
- Reconciliations
- Student receivables
- Third-party receivables
- Write-offs

The audit period was primarily January 2018 to December 2018. Fieldwork was conducted from May 2019 to August 2019.

Methodology

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

- To determine the adequacy of loan collection processes, auditors judgmentally selected a nonstatistical sample of 20 account balances designed to be representative of the population by loan type and age of account.
- To test compliance with reconciliation procedures, auditors judgmentally selected a nonstatistical sample of eight monthly reconciliations for six accounts.
- To determine the adequacy of student receivable collection processes, auditors judgmentally selected a nonstatistical sample of 30 account balances designed to be representative of the population by campus and age of account.
- To determine the adequacy of third-party collection processes, auditors judgmentally selected a nonstatistical sample of 30 account balances designed to be representative of the population by campus and age of account.

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 Rules and Standard Administrative Procedures
- United States Government Accountability Office (GAO) Federal Internal Control Standards
- 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.

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