

The Texas A&M University System Internal Audit Department



Monthly Audit Report
April 14, 2021

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Texas A&M University

Tuition and Fees



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

TEXAS A&M UNIVERSITY

TUITION AND FEES

April 14, 2021

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Project #20210207



Overall Conclusion

Internal controls over tuition and fees at Texas A&M University are operating as intended and in compliance with applicable laws and policies. An opportunity for improvement was noted in the area of tuition set-aside calculations.

Summary Table

Audit Areas	Controls Assessment
Tuition Set-Asides	Needs Some Improvement
Exemptions and Waivers	Effective – No Observations
Fee Structure	Effective – No Observations
Student Billing	Effective – No Observations

Management concurred with the audit recommendation and indicated that implementation will occur by the end of May 2021.

Detailed Results

Tuition Set-Aside Calculations

The monthly tuition set-aside calculations for Texas A&M University, Texas A&M University at Galveston, and Texas A&M University Health Science Center need improvement to ensure that all applicable accounts and transactions are included. Review of two months of designated tuition and Texas Public Education Grant (TPEG) set-aside calculations identified four errors. One of the errors was related to a formula in the template not including all accounts and transactions. The other three were timing errors resulting from the data being pulled before all transactions for that month had processed. Management's review processes did not identify these omissions.

Designated tuition set-aside calculation requirements are found in Texas Education Code Chapter 56 *Student Financial Assistance*. Subchapter B, *Financial Assistance Funded from Designated Tuition*, sections 56.011 and 56.012 require 15 percent of any amount of tuition charged to a resident student in excess of \$46 per semester credit hour to be set aside. Subchapter C, *Texas Public Education Grants*, section 56.033 requires 15 percent of any tuition charged above statutory for a resident student and three percent of any tuition charged above statutory for a nonresident student to be set aside. While the omissions identified were immaterial with respect

to the overall calculations, over time, incomplete monthly calculations could have a material impact on the calculations.

Recommendation

Revise source reports and procedures to ensure consistency in transaction cutoff and inclusion of all applicable accounts. Enhance review procedures to ensure the identification and remediation of omission errors.

Management's Response

Procedures were modified to ensure that all of the student transaction codes with state tuition considered for TPEG are included in the weekly and monthly Compass report files.

Additionally, procedures were modified to ensure that all appropriate transactions are included in the monthly Business Objects export used for tuition set-aside calculations. The report is now run in the next processing month following the last transaction day of the current month. The designated tuition set-aside is now posted the month following the posting of tuition revenue. Previously the Business Objects report was run on the last day of the month which caused transactions posted on that day to be missed for the month since Business Objects is only updated overnight and not in real time.

Finally, procedures were also modified to include an additional review at year-end to confirm that amounts reported throughout the year equal the cumulative annual amount. This review has been added to the year-end close checklist and involves running a report after each August close and comparing the fiscal year total to the sum of the monthly reports used to post entries.

Management will monitor that the new procedures are working as planned. Target Date: May 31, 2021

Basis of Audit

Objective, Scope, & Methodology

The overall objective of this audit was to determine if internal controls for tuition and fees processes at Texas A&M University are in place to ensure compliance with applicable laws and policies.

The audit focused on the following areas:

- Tuition set-asides
- Exemptions and waivers
- Fee structure
- Student billing

The audit period was primarily September 1, 2019 to August 31, 2020. Fieldwork was conducted from October 2020 to January 2021. The scope of the audit included Texas A&M University, Texas A&M University at Galveston, and Texas A&M University Health Science Center (Texas A&M Health).

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

Audit Objective	Methodology
<p><u>Tuition Set-Asides</u></p> <p>Determine if tuition set-aside mathematical calculations are accurate and if funds are being monitored to transfer to the Texas Higher Education Coordinating Board (THECB), as applicable.</p>	<p>Auditors used professional judgment to select a nonstatistical sample of two calendar months of set-aside calculations to include a month from the fall and spring semesters. Documentation of set aside calculations was obtained for both designated tuition and the TPEG for the selected months at each of the campuses, and the set aside amount was re-calculated using the source data provided. Additionally, auditors reviewed the year end set-aside amount and account balance to determine if funds should be transferred to the THECB.</p>
<p><u>Exemptions and Waivers</u></p>	<p>Auditors used professional judgment to select a nonstatistical sample of 35</p>

Audit Objective	Methodology
<p>Determine whether tuition waivers and exemptions are being properly applied to the accounts of eligible students and that documentation of eligibility is kept on file.</p>	<p>student tuition waivers from the spring 2020 semester to ensure the sample included a variety of waiver types and students from each of the campuses. Documentation of eligibility and billing statements were reviewed for proper application of waivers.</p> <p>Auditors used professional judgment to select a nonstatistical sample of 25 student tuition exemptions from the spring 2020 semester to ensure the sample included a variety of exemption types and students from each of the campuses. Documentation of eligibility and billing statements were reviewed for proper application of exemptions.</p> <p>Auditors used professional judgment to select a nonstatistical sample of two exemption or waiver students identified as noncompliant with Senate Bill 1210 requirements by the university's automated control processes on a specified date within the audit period. Documentation of eligibility was reviewed for proper removal of the exemption or waiver.</p>
<p><u>Fee Structure</u></p> <p>Determine if the fee structure processes have been simplified to the extent possible for consistency in fees charged to students and efficiency of operations.</p>	<p>Auditors obtained the current fee structure and written procedures and inquired with management regarding the process. Information was reviewed for feedback mechanisms and opportunities for simplification.</p>
<p><u>Student Billing</u></p> <p>Determine whether students are being billed accurately and</p>	<p>Auditors used professional judgment to select a nonstatistical sample of 30 students from the spring 2020 semester to ensure the sample included a variety</p>

Audit Objective	Methodology
completely pursuant to applicable tuition and fee plans.	of billing cohorts, resident types, campus locations, and undergraduate/graduate status. Documentation of tuition and fee tables, student schedules, and billing statements were reviewed for accurate and timely billing. Auditors re-calculated the tuition and fee amounts for accuracy.

Controls Assessment Classification

Audit areas highlighted in red in the Summary Table are considered to have significant weaknesses in internal controls. Significant weaknesses include errors, deficiencies, or conditions which result in one or more violations of internal controls, laws, A&M System policies, or member rules. These violations have a high probability for legal consequences, financial consequences, or negative impacts to the organization’s reputation. These are situations in which a CEO, provost, vice president, dean, or director need to be involved in the problem resolution.

Audit areas highlighted in yellow in the Summary Table are considered to have notable weaknesses in internal controls. Notable weaknesses include errors, deficiencies or conditions which result in minor to moderate noncompliance with internal controls, laws, A&M System policies, or member rules. These are situations which can and should be corrected at the department or supervisor level.

Audit areas highlighted in green in the Summary Table are considered to have effective internal controls.

Items that were not significant or notable were communicated to management during the course of the audit.

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
- 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 (GAGAS). 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. The Office of Internal Audit is independent per the GAGAS standards for internal auditors.

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