



Office of Internal Audit

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January 8, 2016

Dr. Hobson Wildenthal, President *ad interim*
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of Dining Meal Plans as part of our fiscal year 2015 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of our audit was to provide assurance that controls over dining meal plan operations are effective and efficient and that financial and operational information is reliable.

Overall, we found controls are generally adequate, but could be improved. The attached report details recommendations that will improve policies and procedures and balance sheet reconciliations, and formalize the meal plan percentage and proration calculation reviews.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:

Mr. Bob Fishbein, Assistant VP for Auxiliary Services
Ms. Cheryl Friesenhahn, Director of Student Financial Services
Dr. Kim Laird, Associate VP for Budget and Finance and Controller

Members of the UT Dallas Institutional Audit Committee:

External Members:

Mr. Bill Keffler
Mr. Ed Montgomery
Ms. Julie Knecht

Dr. Inga Musselman, Acting Provost
Dr. Calvin Jamison, Vice President for Administration
Mr. Terry Pankratz, Vice President for Budget and Finance
Mr. David Crain, Vice President and Chief Information Officer
Dr. Bruce Gnade, Vice President for Research
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer
Dr. Gene Fitch, Vice President for Student Affairs
Mr. Timothy Shaw, University Attorney

The University of Texas System:

System Audit Office

State of Texas Agencies:

Legislative Budget Board
Governor's Office
State Auditor's Office
Sunset Advisory Commission



Executive Summary

Dining Meal Plans, Report No. R1612

Audit Objective and Scope: To provide assurance that controls over dining meal plan operations are effective and efficient and that financial and operational information is reliable. Audit scope: FY 2015 to date, including current operations.

The following is a summary of the audit recommendations by priority and risk type. See Appendix A for additional details.

Recommendation	Risk Level	Estimated Implementation Date
(1) Reconcile Declining Balance Sheet Account	High	August 31, 2016
(2) Review Meal Plan Proration Calculations	Medium	August 31, 2016
(3) Update Policies and Procedures	Low	August 31, 2016
(4) Formalize Percentage Review Process	Low	August 31, 2016

Responsible Vice Presidents:

- Dr. Calvin Jamison, Vice President for Administration (*all recommendations*)
- Mr. Terry Pankratz, Vice President for Budget and Finance (1)

Responsible Parties:

Recommendation (1)

- Dr. Kim Laird, Associate VP for Budget and Finance and Controller
- Bob Fishbein, Assistant VP Auxiliary Services

Recommendations (2) (3) (4)

- Bob Fishbein, Assistant VP Auxiliary Services
- Carrie Chutes, Assistant Director of Food Services, Auxiliary Services

Staff Assigned to Audit:

Project Leader: Dominique DiAndrea, CIA, Senior Auditor



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Background

UT Dallas began offering meal plans in 2009, and served around 400 individuals. For the fall and spring FY 2015 semesters, approximately 2,500 meal plans were in place. The residential dining operations (board plan only) revenues and expenses for fiscal years 2015 and 2014 were:

	Revenue	Expenses
FY 2015	\$5,955,363	\$4,986,825
FY 2014	\$4,850,249	\$4,274,661

Anyone with an active Comet Card is eligible to enroll and can choose from five plans. The following were offered during the 2014-2015 academic year under review:

Available to 1st year residents and above	Comet 19	<ul style="list-style-type: none"> • 19 meals per week • \$50 in Meal Money • 2 guest passes per semester • \$1,973.06
	Comet 14	<ul style="list-style-type: none"> • 14 meals per week • \$100 in Meal Money • 2 guest passes per semester • \$1,751.57
	Comet 10	<ul style="list-style-type: none"> • 10 meals per week • \$150 in Meal Money • 2 guest passes per semester • \$1,655.82
Available to 2nd year residents and above	Green	<ul style="list-style-type: none"> • 5 meals per week • \$100 in Meal Money • 2 guest passes per semester • \$982.35
	Orange	<ul style="list-style-type: none"> • Exclusively Meal Money • Balance rolls over from fall to spring when renewed • \$750

Meal money is a semester balance allotted for use at UT Dallas retail locations. It operates similar to a debit card, deducting charges from the balance. Dining dollars function like meal money, and may be added to a meal plan at any point. However, Meal money expires at the end of each semester, Dining dollars do not expire.

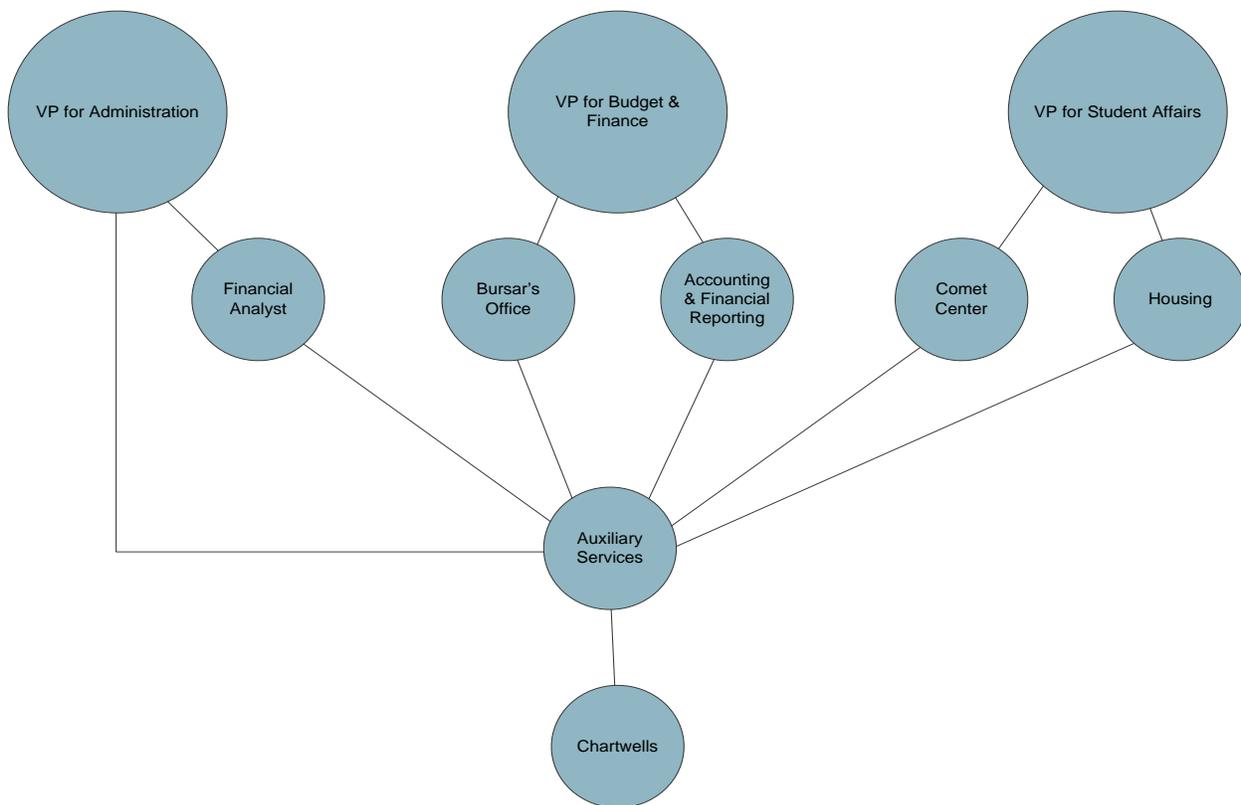
UT Dallas offers cafeteria, food court, and retail dining options across campus. Retail locations include Jason's Deli, Papa John's, Outtakes, create, Subway, Panda Express, Chick-fil-A, Moe's Southwest Grill, 2Mato, Ben & Jerry's, Einstein Bros. Bagels, IHOP Express, Bookstore Coffee Shop, Coffee Corner, and Novel Brew. UT Dallas also operates The Pub, a sit-down restaurant.



Auxiliary Services is responsible for administering dining meal plan and operations, and has contracted a third party food service provider, Chartwells Higher Education, to conduct all day-to-day dining related activities, which includes residential dining, retail outlets and catering for the campus. All have been scoped out for purposes of this audit. Internal Audit plans to review the Chartwells contract in detail, as part of a Contracts Audit scheduled for FY 2016.

Chartwells provides UT Dallas with a one-time lump sum payment each fiscal year, based on projected retail sales and their applicable commission structures per venue. For the residential dining program (board plans), both UT Dallas and Chartwells receive a specific flat rate for each meal plan, less the Texas state sales tax. UT Dallas' flat rate is booked to a revenue cost center and Chartwells flat rate is booked to a payable account. UT Dallas pays Chartwells their flat rate in three equal installments each semester. The monthly installment payments allow UT Dallas to compensate Chartwells based on the actual enrollment during each of the three payment periods. This takes into account changes in the population as of census day. No changes or cancellations will be granted after census day unless the student is withdrawing from the University or has an approved medical exception. Meal money and dining dollars associated with the meal plans are invoiced weekly by Chartwells as redeemed, or when expired.

While Auxiliary maintains ownership over dining operations, coordination among many departments, and under several VP's, is required to ensure accuracy of financial data and reporting:





Audit Objective

To provide assurance that controls over dining meal plan operations are effective and efficient and that financial and operational information is reliable.

Scope and Methodology

The scope of this audit was FY 2015 through current operations. While the exit conference with management took place on October 16, 2015, we are considering fieldwork concluded as of October 28, 2015. Following the exit conference, Internal Audit was provided with additional documentation related to findings three and four, and required further time to review before documenting our final conclusions. To satisfy our objectives, we performed the following:

- Interviewed staff and examined documentation to gain an understanding of meal plan operations on campus.
- Reviewed available policies and procedures.
- Determined if:
 - Auxiliary Services captured all students wanting to enroll in a meal plan, and that they were accurately posted to the balance sheet and revenue accounts
 - The Micros register system was accurately configured to ensure that balances would properly decline
 - Payments to Chartwells were accurately calculated, supported by documentation, and approved
 - Adjustments such as refunds and reversals were supported, and accurately calculated and processed
 - Balance sheet and revenue account reconciliations were accurate, timely, and approved

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.



Audit Results and Management's Responses

Controls

Our audit work indicated that the following controls currently exist:

- Coordination between Auxiliary, Housing, the Bursar, and Comet Card offices exists to ensure accurate meal plan enrollment and posting to the financial systems.
- The Micros register system is configured against available meal plan types.
- Payments to Chartwells are supported by documentation and are approved by authorized personnel.
- Adjustments to meal plans are calculated accurately and supported by documentation.
- Balance sheet and revenue account reconciliations occur both monthly and quarterly. Preparation of, and review of all reconciliations is evidenced.

Audit Recommendations

Priority Findings – UT System: A UT System priority finding is defined by the UT System Audit Office as: “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”¹ We have **no UT System Priority Findings** resulting from this audit.

However, although the above controls are in place, opportunities exist to improve operations by implementing the recommendations outlined below.

(1) **Reconcile Declining Balance Sheet Account**

Risk Rating: **High**★

We tested selected balance sheet and revenue account reconciliations to ensure financial accuracy. The second quarter FY 2015 reconciliation for the Chartwells Declining Balance Payable account had a general ledger balance of \$131,485.79. Of this amount, only \$67,511.13 was able to be reconciled, leaving approximately \$64,000 of the balance unidentified. As of Q4 2015, this still had not been resolved as there remained an unreconciled balance of approximately \$56,000. As dining dollars never expire, this account consists of rolling balances that date back to 2009, when meal plans began. This has made it difficult to reconcile the account, and determine its true balance.

Recommendation: Management should ensure that adequate resources and support are available in order to properly reconcile the dining dollar payable account, and determine its true balance.

¹ The appendix defines the risk levels for all internal audit recommendations.



Management's Response: *The Offices of Budget and Finance (OBF) and Auxiliary Services (AS) concur with the findings regarding incomplete reconciliations and will work together to improve the reconciliation process, determine the true outstanding balance, and develop accessible resources to facilitate the process. The OBF will ensure that AS has access to all of the financial balance and transactional information needed to prepare accurate and timely reconciliation, and AS will prepare accurate and timely reconciliations.*

Additionally, the OBF will collaborate with AS to implement new procedures for the timely disposition of unused/remaining declining Meal Money card balances. Finally, the OBF and AS will work together to implement monitoring procedures to ensure process are working as intended.

Estimated Date of Implementation: *August 31, 2016*

Person Responsible for Implementation:

Dr. Kim Laird, Associate VP for Budget and Finance and Controller

Mr. Bob Fishbein, Assistant VP, Auxiliary Services

(2) Review Meal Plan Proration Calculations

Risk Rating: **Medium**★

Students may cancel their meal plan at any time or for any reason prior to the census date. They will be reimbursed for the meal plan, adjusted for actual usage through the date of cancellation. For cancellations requested after the census date, the adjustment, or proration, will be based on usage days, and a daily rate determined by Chartwells. In each case, Chartwells will be paid for the remaining portion *not* reimbursed to the student. Currently the calculations are prepared by the Chartwells Account Director, and there is no formal, subsequent review.

Through testing, errors were found in several proration calculations, resulting in overpayments to Chartwells of approximately \$1, 200.

Recommendation: A formal review process over meal plan proration calculations should be put in place and documented to ensure appropriate review and approval.

Management's Response: *The Meal Plan Proration Calculation procedure will be included in the Policies and Procedures Manual that will be produced by Auxiliary Services in consultation with the Bursar's Office, the Comet Card Office and Chartwells account manager. The procedure will be reviewed and authorized each academic year. Prorations are based on contracted service days which are always 241 days, but the division of the days per semester may vary slightly. We will implement a formal process to "sign off" on the agreed days and the applicable accounting process. We will also request that Chartwells regional accounting director formally document their accounting process.*



Estimated Date of Implementation: *August 31, 2016*

Person Responsible for Implementation:

Mr. Bob Fishbein, Assistant Vice President, Auxiliary Services

Ms. Carrie Chutes, Assistant Director of Food Services, Auxiliary Services

(3) Update Policies and Procedures

Risk Rating: **Low**★

Policies specific to meal plan operations exist which cover meal plan enrollment, accounting, processing, payments to Chartwells, and meal plan changes and cancellations. These policies, however, are outdated and/or incomplete. In addition, policies do not exist which document all other pertinent operations, such as coordination with the Comet Card and Housing offices, adjustment determination, or balance sheet reconciliation procedures.

It was also noted that the preparer of the balance sheet reconciliations had been typing in their name and date to evidence preparation. An actual signature, however, provides greater support that the appropriate level of checks and balances were performed by two separate individuals, i.e., the preparer and reviewer.

Recommendation: Auxiliary Services should update, formalize and document all pertinent operations, especially considering the extensive coordination required from offices across the University, e.g. Auxiliary, Administration, Bursar's, Housing, Comet Card.

In addition, balance sheet reconciliation procedures should be specific enough to document how information is being pulled to support the balances reconciled, and how the designated reconciler should appropriately evidence their preparation.

Management's Response: *A formal Policies and Procedures Manual will be produced by Auxiliary Services in consultation with the Bursar's Office, the Comet Card Office and Chartwells account manager. This will serve as a living document and include all steps involved in the yearly meal plan process. This will include, but not be limited to, the full sequence of steps of how meal plans are selected, how meal plans are paid for, the meal plan pricing approval process, meal plan adjustments and cancellations, roster management, meal plan reconciliation, and coordination of responsibilities between the related offices. The policies and procedures will be reviewed by the AVP for Auxiliary Services and the Assistant Director of Food Services yearly for changes, clarifications and updates.*

Estimated Date of Implementation: *August 31, 2016*

Person Responsible for Implementation:

Mr. Bob Fishbein, Assistant Vice President, Auxiliary Services

Ms. Carrie Chutes, Assistant Director of Food Services, Auxiliary Services



(4) **Formalize Percentage Review Process**
Risk Rating: **Low**★

When a student enrolls in a meal plan, the total dollar amount of the plan hits several different accounts, based on pre-determined percentages programmed into Orion (the student accounting system): accounts receivable, revenue, sales tax payable and meal plan payable. The percentages are complex, and are driven by the amount of UT Dallas and Chartwells revenue per meal plan. Annual increases in the UT Dallas revenue rate are sent to the President and Board of Regent's Office for approval, and increases in the Chartwells rate are determined by an amended contract.

Through testing, we determined that the meal plan percentages developed were reasonable by agreeing to supporting documentation and recalculating; however, there is no formal, documented process in place for managements review, prior to programming the percentages into Orion. These percentages, and their accuracy, are extremely important as they drive the accounting and financial reporting.

Recommendation: We recommend that a formalized, documented process be put in place to verify that percentages determined have been vetted and approved by management, and that a comparison of the methodology be performed against similar institutions to verify the reasonableness of their approach.

In addition, we recommend that Auxiliary Services maintain documentation for the approvals from the President and Board of Regent's Office for any percentage increases in the mandatory residential meal plans.

Management's Response: *The allocation of meal plan revenue collected from students will be reviewed every year after the President and Board of Regents signed approval letter for the upcoming year's rates is filed in the Auxiliary Services office. The review will be made by the Assistant Vice President for Auxiliary services and the Assistant Director of Food Services. After such approval, Chartwells will provide an updated contract amendment listing their required portion of the meal plan sales. From there, UT Dallas' portion of meal plans sales will be determined, less the 8.25% state tax per plan. With this information, the formula for the programming into Orion will be determined. This process will also be included in the Policies and Procedures Manual and will require approval at the Assistant Vice President and Vice President level.*

Estimated Date of Implementation: *August 31, 2016*

Person Responsible for Implementation:

Mr. Bob Fishbein, Assistant Vice President, Auxiliary Services

Ms. Carrie Chutes, Assistant Director of Food Services, Auxiliary Services



Status of Prior Audit Recommendations

The following is the status of implementation of the recommendation resulting from Internal Audit Report No. R1105, *Annual Financial Report*, dated December 1, 2010.

Recommendation	Implemented?
A procedure should be developed to ensure that meal plan revenue and related expenses are properly calculated and booked to the appropriate fiscal year. In the future, funds received from students that are owed to an outside vendor should be recorded as a payable rather than as deferred revenue.	Yes

Conclusion

Based on the audit work performed, we conclude that controls over dining meal plan operations are generally acceptable. Implementation of the recommendations will assist with ensuring meal plans are adequately managed.

We appreciate the courtesy and cooperation received from the management and staff in the Auxiliary, Administration, Bursar's, Housing, and Comet Card offices as part of this audit.



Appendix: Definition of Risks

Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Management Review Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.