Office of Internal Audit
800 W. Campbell Rd. SPN 32, Richardson, TX 75080
Phone 972-883-4876 Fax 972-883-6846

December 3, 2015

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

We have completed an audit of Tuition and Fees as a carryforward from previous audit plans, 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 adequate controls exist over Tuition and Fees to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.

Based on the audit work performed, we conclude that in general, adequate controls exist over Tuition and Fees; however, the recommendations included in this report will help improve access controls and documentation of policies and procedures.

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

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:
    Dr. Kim Laird, Associate Vice President and Controller
    Ms. Cheryl Friesenhahn, Director of Financial Services

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

Tuition & Fees, Report No. R1604

Audit Objective and Scope: To provide assurance that adequate controls exist over Tuition and Fees to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. Our scope covered fiscal years 2013 – 2015.		
The following is a summary of the audit recommendations by priority and risk type. See Appendix A for additional details.		
Recommendation	**Priority**	**Estimated Implementation Date**
(1) *Enhance Access Controls*	**Medium**	March 31, 2016
(2) *Document Processes to Change Tuition and Fee Rates*	**Low**	May 31, 2016
Responsible Vice President: Mr. Terry Pankratz, Vice President for Budget and Finance	**Responsible Parties:** • Dr. Kim Laird, Associate Vice President and Controller • Cheryl Friesenhahn, Director of Financial Services	
Staff Assigned to Audit: • Ali Subhani, CIA, CISA, GSNA, IT Audit Manager and Project Manager • Staff included Polly Atchison, Audit Manager; Dylan Becker, *former* Senior Auditor; Ashley Mathew, Staff Auditor; Hiba Ijaz, Staff Auditor; Naomi Emmet and Seo Choi, *former* Staff Auditors		

Table of Contents

Background

[Student Financial Services](), reporting to the Vice President of Budget and Finance, is responsible for overseeing student billing and payments, managing student accounts and keeping students appraised of outstanding bills, payment histories and other financial issues. The mission of this office is to handle all financial transactions involving students, faculty and staff as efficiently and accurately as possible, while providing their customers with excellent customer service.
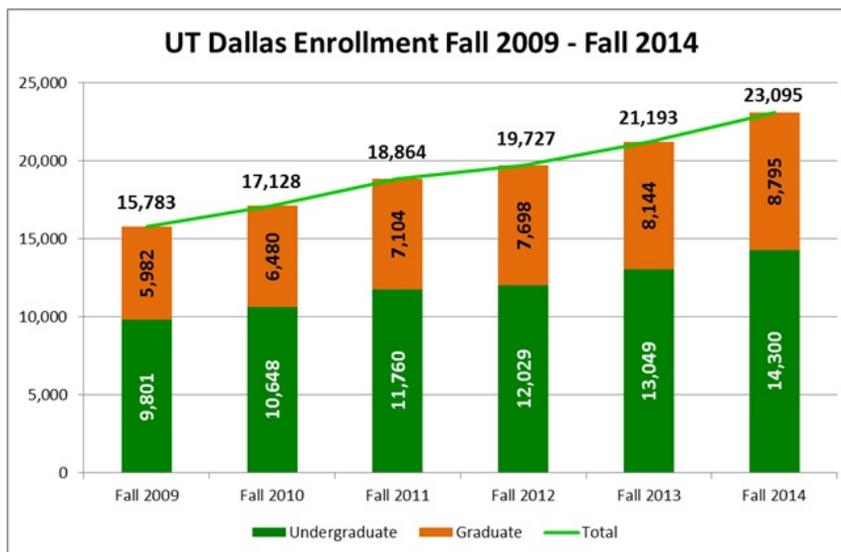
There are three different types of tuition rates[1] in the State of Texas:
1. *Statutory Tuition* - tuition charges set by the Texas Education Code (TEC) Section 54.051.
2. *Designated Tuition* – authorized by TEC 54.0513. Additional tuition charges that the UT System Board of Regents considers necessary for the effective operation of the institution.
3. *Board Authorized Tuition* – authorized under TEC 54.008 for graduate programs as authorized by the UT System Board of Regents.

There are also various fees[2] charged to students, including:
- *Mandatory Fees* – those authorized by statute or the Board.
- *Course Fees* – those required of all students in a particular course.

As shown by the following graphs, UT Dallas enrollment[3] has increased over the past five years, resulting in associated increases in net tuition and fees[4].
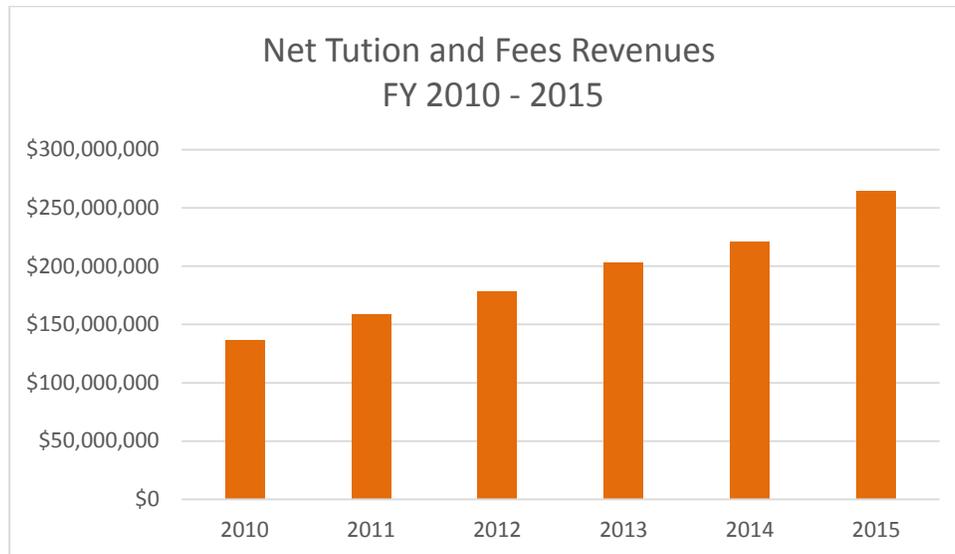
UT Dallas Enrollment Fall 2009 - Fall 2014

	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014
Total	15,783	17,128	18,864	19,727	21,193	23,095
Graduate	5,982	6,480	7,104	7,698	8,144	8,795
Undergraduate	9,801	10,648	11,760	12,029	13,049	14,300

---

[1] http://www.utdallas.edu/bursar/tuition/tables/
[2] http://www.utdallas.edu/bursar/tuition/fees/
[3] http://www.utdallas.edu/ospa/enrollment/
[4] http://www.utdallas.edu/afr/reports/

Net Tuition and Fees Revenues FY 2010 - 2015

A bar chart showing net tuition and fees revenues from FY 2010 to 2015. Values increase from approximately $137,000,000 in 2010 to approximately $265,000,000 in 2015.

Audit Objective

The audit objective was to provide assurance that adequate controls exist over Tuition and Fees to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.

Scope and Methodology

The scope of this audit was fiscal years 2013 – 2015 To satisfy our objectives, we performed the following:

- Gained an understanding of operations by interviewing staff and reviewing policies, procedures, laws, and other documentation relevant to tuition and fees.
- Tested tuition and fees processes, including:
  - Accuracy of tuition and fees charges, including residency changes
  - Cash/check handling
  - Access controls in the student financial system (Orion)

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:

- The Bursar's Office reconciles all calculated tuition each semester in the testing environment (before calculations in production) to ensure accuracy of charges.

- Tuition and fees charges are being accurately assessed for the fall, spring and summer semesters by the Bursar's Office.

- The Bursar's Office has clearly documented the policies and procedures related to Tuition and Fees.

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.*"[5] We have **no UT System Priority Findings** resulting from this audit.

Audit Recommendations: Although the above controls exist, the following recommendations are considered important for management to address and are categorized by risk levels. See the Appendix for definitions of risk levels.

(1)   *Enhance Access Controls*
        Risk Level: **Medium** ☆

Access controls were tested to ensure that tuition and fees pages in the student system, PeopleSoft Campus Solutions (Orion), were properly restricted to authorized personnel whose job responsibilities required such access. Without proper access controls, the risk of inappropriate access to student information is increased.

We found the following upon review of access controls in place:

a. Out of 730 users, 21 users have potentially unnecessary write access to at least one of the 23 pages. For example, there were pages where a user could update or change an individual's residency status without a business need to do so. Also, on the pages where transactions are posted to a student's account, a user could potentially post transactions related to parking or health center charges without a business need to do so.

b. The password for the general account used to post transactions and run processes within Orion has not been changed as the Bursar's department experienced turnover. According to the Account Management Standard [6] developed by the Information Security Office, "*For generic "root" or "admin" accounts, passwords*

---

[5] Appendix A defines the priority and risk ranking used for all internal audit recommendations.
[6] https://www.utdallas.edu/infosecurity/files/AccountManagementStandard.pdf

must be changed whenever an individual who had knowledge of the password no longer requires access."

Recommendation: Write level access to tuition-related PeopleSoft pages should be evaluated regularly and access restricted based on the user's job responsibilities. Passwords for the generic account should be changed whenever an employee no longer needs access to the account in accordance with the Information Security Account Management policy.

Management's Response: We agree that processes for monitoring write access to tuition-related PeopleSoft pages and for routinely changing the generic account password should be implemented. The Director of Financial Services will collaborate with the directors of other departments such as Admissions in setting up a periodic reporting and review process to monitor write access. Financial Services does not have control over the access authorized by other departments. We will also work with TouchNet to implement a generic account password change and notification process. This generic account is used for the interface with PeopleSoft and an unplanned password change could cause the posting of student payments and refunds to the general ledger to fail.

Estimated Date of Implementation: March 31, 2016

Person Responsible for Implementation: Cheryl Friesenhahn, Director of Financial Services

(2)   *Document Processes to Change Tuition and Fee Rates*
       Risk Level: **Low** ★

Student tuition and fees assessed are authorized by state statute; however, the specific fee amounts and the determination to increase fees are made by the University administration and The University of Texas System Board of Regents. The Budget Office currently has a process in place to initiate changes or increases to tuition and fees from one fiscal year to the other. However, the process is not formally documented in the department's policy and procedure manual. Without clear and written communication of responsibilities, employees may not be aware of the procedures, especially when turnover occurs.

Recommendation: Existing policies and procedures, including procedures and approvals needed for making changes to Tuition and Fees, should be adequately documented by the Budget Office and shared with the Bursar's Office.

Management's Response: We concur with the need for a formally documented process for authorizing changes to tuition and fee rates. A written procedure will be developed to ensure the accuracy of tuition and fees recorded in the PeopleSoft rate tables and published on the University's website. The procedure will identify each step in the process, a timeline of events, and the responsible parties.

Estimated Date of Implementation: May 31, 2016

Person Responsible for Implementation: Kim Laird, Associate Vice President & Controller

Conclusion

Based on the audit work performed, we conclude that in general, adequate controls exist over Tuition and Fees to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. However, the recommendations included in this report will help improve access controls and documentation of policies and procedures.

We appreciate the courtesy and cooperation received from the management and staff in Student Financial Services during this audit.

Appendix: Risk Levels of Findings

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 "*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.*"
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.