

The University of Texas at Tyler

Student Fees Expenditures Audit



March 2017

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT SERVICES
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

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Fiscal Year 2017**

BACKGROUND

The University of Texas at Tyler (UT Tyler) collects tuition and a variety of fees from the students it serves as allowed by the Texas Education Code. Chapter 54 of the Texas Education Code includes separate sections that provide definitions and spending restrictions for specific student fees. Student fee amounts and descriptions of their use are included in the university catalog.

Compliance with student fee expenditure restrictions is considered a risk due to UT Tyler's decentralized accounting with multiple budget authorities responsible for processing expenditures from the various fees collected. As a result, this audit was requested by Executive Management and included in the Fiscal Years 2016 and 2017 Annual Audit Plans that were approved by the Institutional Audit Committee.

AUDIT OBJECTIVE

The objective of the audit was to determine if student fees were expended in accordance with the requirements and guidelines issued by the State of Texas, University of Texas System, and UT Tyler.

SCOPE AND METHODOLOGY

The audit included a review of revenues and expenditures from September 2015 through April 2016. We met with members of UT Tyler's Executive Management, reviewed the statutory purpose of the fees, reviewed the university catalog descriptions, and obtained total revenues collected by fee type. Using this information, we selected the following six fees for detailed transaction testing:

- Student Services Fee
- Basic Computer Access Fee
- Online Education Fee
- Instructional Support Fee
- Student Union Fee
- Recreational Facility Fee

To accomplish the objective noted above, the following procedures were conducted:

- ✓ Reviewed the Texas Education Code to gain an understanding of the allowed use of the fee.
- ✓ Downloaded fee expenditure transactions and sorted by fee type to select a judgmental sample of 118 transactions totaling over \$1,155,000 based on vendor, account description, and amount to test for appropriate fee use.
- ✓ Reviewed supporting documentation to determine if the expenditure met the guidelines for the use of the fees.

The audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing*.

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AUDIT RESULTS

According to The University of Texas System Audit Office, “A *Priority Finding* is 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. *Non-Priority Findings* are ranked as *High, Medium, or Low*, with the level of significance based on an assessment of applicable *Qualitative, Operational Control, and Quantitative* risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated. In total, this audit resulted in four Medium-level findings and two Low-level findings.

Finding Level Legend	
Priority	<i>A finding is defined as an issue that if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Tyler.</i>
High	<i>A finding that is considered to have a <u>medium to high probability</u> of adverse effects to UT Tyler as a whole or to a significant college or department.</i>
Medium	<i>A finding that is considered to have a <u>low to medium probability</u> of adverse effects to UT Tyler as a whole or to a college or department.</i>
Low	<i>A finding that is considered to have a <u>minimal probability</u> of adverse effects to UT Tyler as a whole or to a college or department.</i>

Audit Findings		
	Level	Description of Finding, Responsibility, Implementation Date
1a	Medium	<i>Definitions of the Instructional Support Fee and Online Education Fee should be published in the UT Tyler Catalog. Provost/Vice President of Academic Affairs (VPAA), May 15, 2017</i>
1b	Medium	<i>Guidance for Instructional Support Fee use should be developed and communicated. Provost/Vice President of Academic Affairs, May 15, 2017</i>
2	Medium	<i>Student Union Fee budget and activity report should be submitted to the President. Vice President of Student Affairs (VPSA), May 15, 2017</i>
3	Medium	<i>Student Services Fee Transfers should be approved by the President and communicated to the Student Fee Advisory Committee Vice President of Business Affairs (VPBA), Immediately</i>
4	Low	<i>Student Fee Committees should be published with other committees on the UT Tyler website. Vice President of Student Affairs, May 15, 2017</i>
5	Low	<i>Correct account codes should be used when processing expenditures. Various Budget Authorities, Ongoing</i>

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#1a: Fee Definitions Should be Published in the UT Tyler Catalog

Texas Education Code §54.504 Incidental Fees states institutions “shall publish in the general catalog of the university a description of the amount of each fee to be charged.” Currently, UT Tyler assesses an Instructional Support Fee of \$18 per semester credit hour and a \$14 per semester credit hour Online Education Fee for all online courses. The Instructional Support Fee and the Online Education fee amounts are included in the 2016-17 Catalog Tuition and Fee Schedule; however, they are not included in the catalog sections that describe the student fees. The Other Tuition and Fees section of the catalog includes the description of “Course Fee” as “*This fee is assessed to defray cost of materials, equipment, technical assistance and clerical wages directly associated with classroom activity. Specific fee amount is listed with the course description.*” The standard Instructional Support Fee per semester credit hour replaced Course Fee of varying amounts effective Fall 2012; however, the Course Fee description is still included in the current catalog.

Recommendation: The UT Tyler Catalog should be updated to include descriptions of the Instructional Support Fee and the Online Education Fee. The Course Fee description should be removed since this fee is no longer charged.

Provost/VPAA Response and Implementation Date: *Both the Instructional Support fee and the Online Education fees and their descriptions will be added to the sections of the 2016-17 catalog that describe student fees. Moreover, in coordination with VPBA, it will be ensured that Course Fees are not being assessed on any course, and will then be removed from the catalog. Catalog updates are expected to be completed by May 15, 2017.*

#1b: Guidance for Instructional Support Fee Use Should be Developed and Communicated

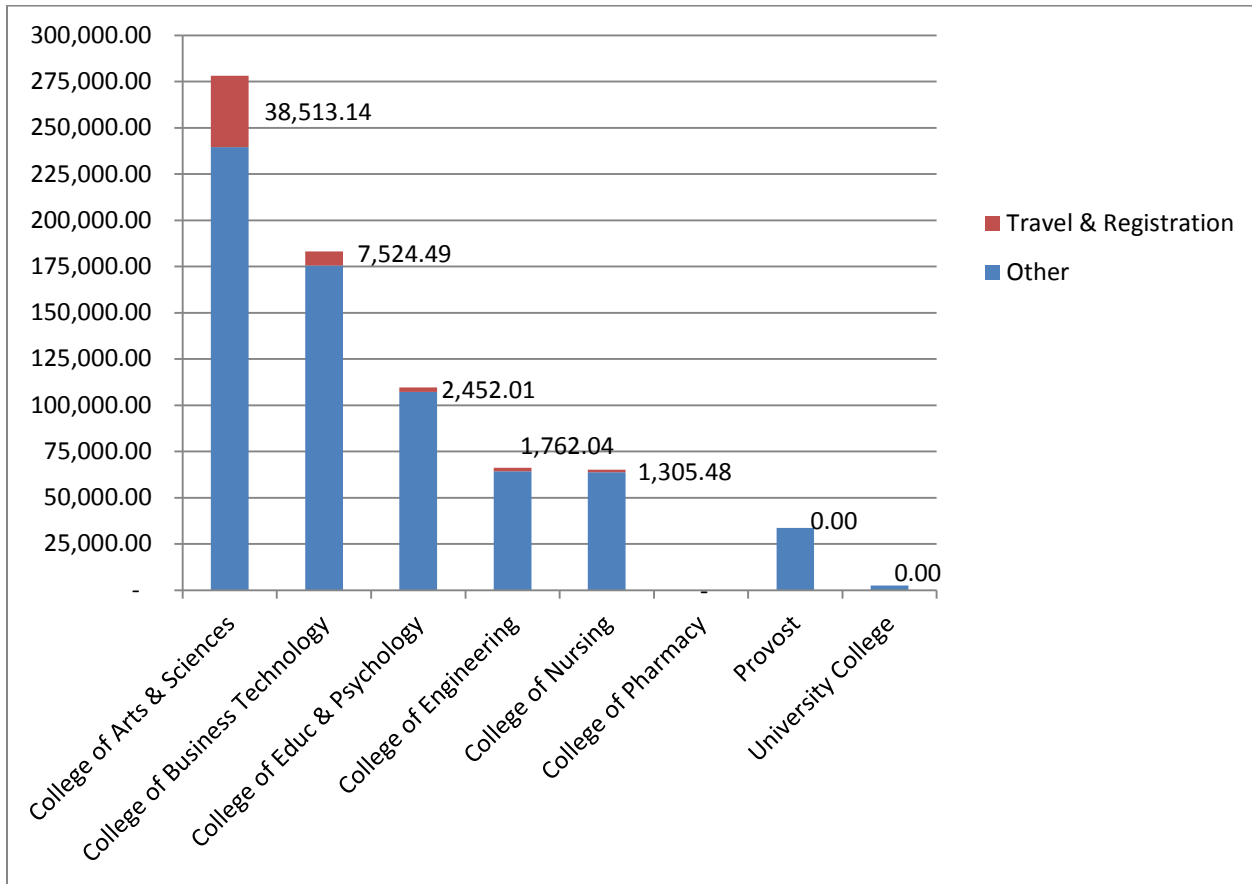
Instructional Support Fees are allocated to each college based on the student attendance in courses assigned to each college. Budget Authorities used the Instructional Support Fees for numerous purposes including:

- travel expenses for faculty and students to attend conferences and participate in various events,
- travel expenses for students to participate in study abroad courses, and
- speaker fees for an off-campus event available to students, instructors and the public.

All expenditures tested during the audit were used for the benefit of students or instructors; however, some of the expenditures were not directly associated with classroom activity. These are considered immaterial to the Annual Financial Reports and fee balances; therefore, reclassifications are not considered necessary. An analysis of the use of the fees by college follows:

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**Instructional Support Fee Use by College / Area
 September 1, 2015 through April 30, 2016**



Recommendation: The Provost should develop guidelines for appropriate uses of Instructional Support Fees and communicate the guidelines to the budget authorities and administrative assistants who are responsible for spending the fees.

Provost/VPAA Response and Implementation Date: A detailed guideline is being developed for the instructional support fees and after approval from the President, will be communicated to the budget authorities and administrative assistants who have the authority to spend the fees. Implementation by May 15, 2017.

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#2: Student Union Fee Budget and Activity Report Should be Submitted to the President

Texas Education Code §54.5343 Student Union Fee - The University of Texas at Tyler requires the Student Union Advisory Committee to “*annually submit to the president of the university a complete and itemized budget accompanied by a full and complete report of all activities conducted during the preceding year and all expenditures made in connection with those activities. The president shall submit the budget to the board of regents as part of the institutional budget.*” Currently, the committee presents the information to the Assistant Vice President for Student Affairs who then sends the information to the Budget and Financial Reporting office for inclusion in the institutional budget. This process does not inform the President of the activities of the committee during the preceding year and the requested budget.

Recommendation: The Student Union Advisory Committee should submit the required documents to the President.

Vice President of Student Affairs Response and Implementation Date: *Effective with the Spring of 2017, the Student Union Advisory Committee will submit to the UT Tyler president a complete and itemized budget accompanied by a full and complete report of all activities conducted during the preceding year and all expenditures made in connection with those activities. Implementation by May 15, 2017.*

#3: Student Services Fee Transfers Should be Approved by the President and Communicated to the Student Fee Advisory Committee

Texas Education Code §54.5031 Student Fee Advisory Committee Section (g) states “*Before recommending the student fee budget to the governing board of the institution, the president of the institution shall consider the report and recommendations of the committee. If the president's recommendations to the governing board are substantially different from the committee's recommendations to the president, the administration of the institution shall notify the committee not later than the last date on which the committee may request an appearance at the board meeting. On request of a member of the committee, the administration of the institution shall provide the member with a written report of the president's recommendations to the board.*” The former President approved the FY 2016 budget recommended by the committee. During the FY 2016, the Interim Vice President of Business Affairs (VPBA) instructed the Budget and Financial Reporting Office to transfer \$1,000,000 of expenditures paid from a cost center funded by Designated Tuition to the Student Services Fees cost center. These expenditures met the description of “Student Services” included in Texas Education Code §54.503, Student Services Fees. The effect of this transfer amended the Student Services Fee budget. According to the Interim VPBA, verbal approval was obtained by the former President; however, the approval was not documented in writing and there was no communication with the Student Fee Advisory Committee.

Recommendation: All transfers not included in the originally approved budget should be approved by the President in writing or via e-mail and communicated to the Student Fee Advisory Committee.

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***Vice President of Business Affairs Response and Implementation Date:** It should be noted that the former President believed that since the Student Fee Advisory Committee is only advisory and that the President ultimately decides on the fee budget, notification to the committee was not necessary.*

Effective immediately, Business Affairs will ensure that signed, documented approval is on file to authorize any allocations of the Student Services Fee. Communications with the Student Fee Advisory Committee will remain the responsibility of the Vice President for Student Affairs who oversees that committee.

#4 Student Fee Committees Should be Published

UT Tyler publishes a list of “University Committees” on their website that includes the responsibilities, committee charge, and committee members. The Student Services Fee Advisory Committee and Student Union Fee Committee are currently not included in the list. Including this information would increase transparency and awareness of the committee.

Recommendation: The information for these two committees should be submitted to the Provost’s Office for inclusion with other committees on the UT Tyler website.

***Vice President of Student Affairs Response and Implementation Date:** The VPSA will work with the VPAA to make sure the Student Service Fee Advisory Committee and the Student Union Fee Committees are listed on the UT Tyler website and that information includes the responsibilities, committee charge, and committee members. Implementation by May 15, 2017.*

#5: Correct Account Codes Should be Used

All expenditures are processed in the PeopleSoft accounting system using an account code that describes the goods or services purchased. Expenditures are summarized by account code for various budget and financial reports, including the Annual Financial Report. During the detailed testing of transactions, we noted 24 transactions totaling \$50,234 that were processed with an incorrect account code. This total is considered immaterial to the Annual Financial Report; therefore, corrections are not considered necessary. However, budget authorities and administrative assistants have been informed of the errors so future transactions can be processed using the correct account codes.

CONCLUSION

All expenditures tested during this audit appeared to be for valid university purposes. The implementation of the recommendations included in this report should strengthen internal controls and increase transparency related to student fee expenditures.

We appreciate the assistance of the departmental management and administrative assistants, especially the Vice President of Business Affairs and the Budget and Financial Reporting Office during this project.