

The University of Texas
Rio Grande ValleyTM

Fees and Other Charges Audit

Report No. 21-AEN-12

April 7, 2022

Office of Audits & Consulting Services

EXECUTIVE SUMMARY

Overall Assessment:

Overall, the majority of the student fees tested were expended in accordance with the authorized purpose. However, opportunities exist to improve monitoring fee balances, justifications for accumulated balances, and use of fees.

Background: Tuition and mandatory fees are the academic costs required of all students for general enrollment. Tuition and fees are subject to change by legislative or regental action and become effective on the date enacted. The student fees assessed are authorized by state statute; however, the University Administration and The University of Texas System Board of Regents make the specific fee amounts and the determination to increase fees in accordance with state law.

Objectives: To determine whether student fees were expended in accordance with the authorized purpose and whether student fee accounts with unexpended balances at year-end have prepared justifications for maintaining the balances in accordance with the cost recovery nature of the fees.

Scope/Period: All fees and other charges during fiscal year 2019 and 2020.

Risk Levels Appendix I

Priority

High

Medium

Low

We appreciate the assistance provided by UTRGV's management and other personnel. We hope the information and analyses presented in our report are helpful.

Risk	Observations Summary
Medium	1 The Planning & Analysis Office does not have a formal process to monitor and require explanations for large unexpended fee cost center balances. The Office does have fee cost center guidance in UTRGV's Annual Budget Instructions; however, it is not readily available on the website.
Medium	2 Late Payment and Late Registration fees are transferred to fund the Bursar's Office operations. These incidental fees have specific purposes and are commingled with other funds. Therefore, we cannot determine whether the monies reasonably reflected the actual costs to the university of the services for which the fees were collected.
Medium	3 Six (\$6,782) of the seven (\$36,782) expenses tested, 18% of the total expenses tested, were not aligned with the purpose of the Medical School Supplemental Application Fee, which is to defray the costs associated with processing applications for admission to the School of Medicine.
Medium	4 None of the Medical Student Laboratory Fee Revenue collected has been spent since the inception of the fee. The total revenue collected as of FY2020 was \$32,839.

Observation Detail	Recommendation	Management Action Plan
<p>Cost Center Balances</p> <p>We reviewed FY2019 and FY2020 cost center balances for the fees selected for testing and any outliers.</p> <p>(Condition) The Planning & Analysis Office does not have a formal process to monitor and require explanations for the large unexpended fee cost center balances. Many of the fees have accumulated balances. During testing it was noted that there is a large Medical Service Fee accumulated balance from one of the legacy institutions in the amount of \$873,177.25. This amount was being accumulated for renovations on the Brownsville campus. While the Planning & Analysis Office has fee cost center guidance in its UTRGV Annual Budget Instructions, it is not readily available on its website.</p> <p>(Criteria) TEC Section 54.504 states that "The rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected." Therefore, incidental fee revenue accounts should not accumulate balances. In addition, UTRGV's Annual Budget Instructions states "as a rule-of-thumb, balances should not be allowed to accumulate to greater than 20% of annual revenue. However, if well-documented, balances may be allowed to fund large cyclical purchases".</p>	<ol style="list-style-type: none"> 1. The Planning & Analysis Office should establish a process to monitor large fee cost center balances. They should develop an annual requirement for cost center managers to provide formal justifications or action plans to reduce large cost center balances. Additionally, they should have fee cost center guidance readily available on the website. 	<p>1. Management Action Plan:</p> <p>Planning & Analysis will create formal guidance to establish an annual fee cost center balance monitoring process. The guidance will be posted on the Planning & Analysis website to be followed by notification sent to fee cost center managers and respective finance/budget contacts.</p> <p>Responsibility for monitoring will reside with the primary finance/budget contact for each division and/or college. These individuals currently monitor balances within their units. Documentation of the monitoring process, including justifications/action plans for large balances, will remain on file in the division and college offices.</p> <p>Planning and Analysis will remain available to assist with any questions which arise during annual monitoring.</p> <p>Action Plan owner: Director, Planning & Analysis</p> <p>Implementation Date: 6/30/2022</p>

Observation Detail	Recommendation	Management Action Plan
<p>(Cause) Large cost center balances have not been monitored.</p> <p>(Effect) Large unexpended balances could signify that the fees are set too high and should be re-assessed or other cost centers may be covering the costs associated with these fees.</p>		
<p>Incidental Fees</p> <p>We selected four fees for testing:</p> <p>1-Cost Center (31000219) New Student Orientation – To defray costs associated with orientation activities.</p> <p>We determined fee expenditures were appropriate and supported by adequate documentation.</p> <p>2-Cost Center (31000190) Late Payment Fee - To defray costs associated with processing late payments.</p> <p>3-Cost Center (31000187) Late Registration Fee - To defray costs associated with registering students after the deadline.</p> <p>(Condition) The revenue for the Late Payment Fee and the Late Registration Fee are transferred and commingled to fund the Bursar’s Office operations. Therefore, we</p>	<p>2. The Planning and Analysis Office should evaluate incidental fees and ensure that fees are not combined with activities that are not consistent with the purpose of the fee. Additionally, the Planning and Analysis Office should determine if it is appropriate that all the revenue from these two fees (Late Payment Fee and Late Registration Fee) should be used to cover the Bursar’s Office Operations.</p>	<p>2. Management Action Plan:</p> <p>Planning & Analysis will avoid combining incidental fees in cases where different activities are supported (e.g., the late payment processing and late registration processing activities described). For this reason, the Late Registration Fee revenue will be applied to Registrar operations which is more directly impacted by late registration than the Bursar’s operation.</p> <p>Step 1: Necessary changes will be incorporated for FY 2023 operating budget development.</p> <p>Step 2: The same changes will be applied when funding FY 2022 activities prior to FYE close.</p>

Observation Detail	Recommendation	Management Action Plan
<p>cannot determine whether the monies reasonably reflected the actual cost to the university of the materials or services for which the fee was collected.</p> <p>(Criteria) TEC Section 54.504 states that "The rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected."</p> <p>(Cause) These fees are transferred and commingled in a cost center used for the Bursar's Office operations.</p> <p>(Effect) Inappropriate use of the fee could signify that the fees is set too high and should be re-assessed.</p> <p>4-Cost Center (31000429) Supplemental Application Fee – To defray the costs associated with processing applications for admission to the School of Medicine (SOM).</p> <p>(Condition) Six of the seven expenses tested were not aligned with the purpose of the Medical School Supplemental Application Fee. The inappropriate expenses were for Thanksgiving Dinner for SOM students, SOM student travel, food for a workshop and pins.</p> <p>(Criteria) TEC Section 54.504 states that "The rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which</p>	<p>3. The Cost Center Manager and Assistant VP for Finance and Administration should ensure that the Medical School Supplemental Application Fee is used for its intended purpose.</p>	<p>Action Plan Owner: Director, Planning & Analysis</p> <p>Implementation Date: 9/30/2022</p> <p>3. Management Action Plan: Expense corrections posted in February. The SOM is submitting a proposed adjustment to the fee description to include wording on recruitment, promotional related efforts and activities. In addition, staff associated with processing applications for admission to the School of Medicine are being identified along with effort to have payroll costs funded by cost center.</p> <p>Action Plan Owner: Cost Center Manager</p> <p>Implementation Date: 2/14/2022</p>

Observation Detail	Recommendation	Management Action Plan
<p>the fee is collected." UTRGV HOP ADM 10-703 – Accounting Policy Section C states that “Cost center/project managers are expected to: 4. Know the restrictions applicable to each cost center/project and use the funds in conformity with these restrictions and 5. Expend funds within the approved fee, grant or contract definitions and requirement in accordance with state and federal rules and regulations”.</p> <p><i>(Cause)</i> The cost center manager had a different understanding of the purpose of the fee and the proper use of the fee.</p> <p><i>(Effect)</i> Inappropriate use of the fee could signify that the fees is set too high and should be re-assessed.</p>		
<p>Lab Fees</p> <p>We selected one lab fee for testing.</p> <p>1-Medical Student Laboratory Fee - a charge to generally cover the cost of laboratory materials and supplies used by a student.</p> <p><i>(Condition)</i> None of the Medical Student Laboratory Fee Revenue collected has been spent. As of FY2020, a total of \$32,839 has been collected.</p> <p><i>(Criteria)</i> 54.501. LABORATORY FEES. (a) An institution of higher education shall set and collect a laboratory fee</p>	<p>4. The Cost Center Manager and the Assistant VP for Finance and Administration should ensure that the School of Medicine uses the Medical Student Laboratory Fee revenue for its approved purpose or reassess whether this fee is necessary.</p>	<p>4. Management Action Plan: Prior year and current year laboratory material and supplies expenses are being identified. Expense corrections will be processed as needed. Moving forward, laboratory materials and supplies will be charged to the cost center.</p> <p>Action Plan owner: Cost Center Manager</p> <p>Implementation Date: 3/11/2022</p>

Observation Detail	Recommendation	Management Action Plan
<p>in an amount sufficient to cover the general cost of laboratory materials and supplies used by a student. An institution other than a public junior college may charge a laboratory fee in an amount that is not less than \$2 nor more than \$30 for any one semester or summer term for a student in any one laboratory course, except that the amount of the laboratory fee may not exceed the cost of actual materials and supplies used by the student.</p> <p>(Cause) SOM has not used any of the revenue collected.</p> <p>(Effect) Large unexpended balances could signify that the fee is too high and should be re-assessed.</p>		
<p>University Service Fee</p> <p>We obtained a breakout of the cost centers that receive revenue from University Service Fee and tested the following three areas:</p> <p>1-Cost Center (31000239) Academic Advising Center 2-Cost Center (31000213) Registrar Designated 3-Cost Center (31000099) Center for Online Learning and Teaching Technology</p> <p>We tested expenditures for these areas and determined that they were appropriate and supported by adequate documentation.</p>		

Observation Detail	Recommendation	Management Action Plan
<p>Student Service Fee</p> <p>The Student Advisory Committee advises the President on the allocation of the student service fee. We tested the following six student activities that received revenue from this fee:</p> <ul style="list-style-type: none"> 1-Cost Center (46100024) Retention Initiative 2-Cost Center (46100029) Leadership & Mentoring 3-Cost Center (46100054) Chess 4-Cost Center (46100056) Student Activities 5-Cost Center (46100008) Drama 6-Cost Center (46100005) Pep Band <p>We tested expenditures for all six areas and determined that they were appropriate and supported by adequate documentation.</p>		

APPENDIX I

Risk Classifications and Definitions

Priority	High probability of occurrence that would significantly impact UT System and/or UT Rio Grande Valley. Reported to UT System Audit, Compliance, and Risk Management 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 substantially undesirable and pose a significant level of exposure to UT Rio Grande Valley operations. Without appropriate controls, the risk will happen on a consistent basis. Immediate action is required by management in order to address the noted concern and reduce exposure to the organization.
Medium	Risks are considered undesirable and could moderately expose UT Rio Grande Valley. Without appropriate controls, the risk will occur some of the time. Action is needed by management in order to address the noted concern and reduce the risk exposure to a more desirable level.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Rio Grande Valley will be minimal. Action should be taken by management to address the noted concern and reduce risk exposure to the organization.

APPENDIX II

Criteria & Methodology

Criteria

The audit criteria included the Texas Education Code (TEC) Sections 54.504 Incidental Fees and 54.501 Laboratory Fees, University HOP ADM 10-703, as well as UT System Guidelines for fees and other charges. The audit methodology consisted of gaining an understanding of the student fee process and reviewing policies and procedures. We conducted interviews, obtained a list of all the tuition and fees that may be charged and the cost centers that were associated with the fees.

Methodology

We conducted this audit in conformance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. Additionally, we conducted this 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 findings and conclusions based on our audit objectives. The Office of Audits and Consulting Services is independent per both standards for internal auditors. These standards are also required by the Texas Internal Auditing Act.

APPENDIX III

Report Distribution & Audit Team

Report Distribution

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