PROJECT SUMMARY

Overview

Overall, controls over accounts receivable processes and cash handling for Student Media and the Business Services Office within the Department of Student Life at Texas A&M University require significant improvement. Accounts receivable processes are not in compliance with required reporting and collection requirements. Cash handling procedures are not properly segregated and deposits are not being made timely.

Opportunities for improvements were also noted regarding assignment of Federal Educational Rights Privacy Act training, completion of confidentiality statements, and the efficiency of payroll processing for student task workers in Student Media. Controls reviewed for student conduct processes provide reasonable assurance processes are occurring as intended and are properly documented.

Summary of Significant Results

Accounts Receivable

Accounts receivable processes for Student Media do not ensure compliance with state, A&M System and university requirements. The review found compliance exceptions with multiple accounting and collection processes including misreported receivable balances, excluded accounts from the aged receivable reports, and a lack of reconciliations between accounting records. Without accurate accounting and collection of accounts receivable, the risk of errors, discrepancies or misappropriations occurring and not being detected is increased.

Cash Handling

Cash handling processes are not appropriately segregated in the Business Services Office and deposits are not being made timely in both the Business Services Office and Student Media. The same personnel can collect, deposit and reconcile payments which does not provide for sufficient segregation of duties. There
is also a lack of monitoring controls in place. Without adequate controls over cash handling processes, the risk of errors, discrepancies or misappropriations occurring without detection is increased.

Summary of Management’s Response

The Department of Student Life strives to provide services to the university, students, stakeholders and community members that we serve. Implementation of the recommendations detailed in the audit report will further enhance administrative processes and controls in regard to accounts receivable and cash handling procedures. Additional detail is provided within the individual audit response.

Scope

The review of the Department of Student Life at Texas A&M University focused on financial accounting processes, student information security, and student conduct processes. The audit period focused primarily on activities from September 1, 2011 to January 31, 2013. Fieldwork was conducted from January 2013 to February 2013.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Accounts Receivable

Observation

Accounts receivable processes for Student Media do not ensure compliance with state, A&M System and university requirements. The following exceptions were noted:

- For fiscal year end 2012, there was approximately $168,000 in outstanding accounts receivable; however, only $5,321 was reported to the university's Financial Management Operations (FMO) at fiscal year-end.

- Monthly aged receivable reports did not include all aged accounts and was not submitted monthly to FMO as required.

- Service charges were not consistently applied to all accounts. Certain accounts were excluded from the aged listings as they were larger clients and management decided not to include these larger receivable balances due to the large volume of activity.

- Two of the seven accounts on the aged listing were more than 120 days past due and had not been put on state hold as required by the state comptroller and A&M System policy.

- The accounting system used by Student Media is not being reconciled to the Financial Accounting Management Information System (FAMIS), which would help detect inaccurate reporting.

- Procedures had not been documented for managing accounts receivable.

FMO procedures for extension of credit and collections state that departments must submit an aged report by the 25th of each month and must include a minimum of the customer name, amount due and aging (days past due). The department misinterpreted what information was required to be reported and the university has no mechanism in place to monitor for the accuracy of reporting. FMO's annual reporting instructions state “sales that are recorded in the department's records, but have not been processed in FAMIS,
1. Accounts Receivable (cont.)

Departmental cash handling processes do not ensure appropriate segregation of duties and timely deposits.

Cash handling processes are not appropriately segregated in the Business Services Office and deposits are not being made timely in the Business Services Office and Student Media. The same Business Services Office personnel can collect and deposit payments and reconcile the accounts which does not provide for sufficient segregation of duties. Staff understanding of what duties should be segregated was not clear. A&M System Regulation 21.01.02 states “cash handling and record-keeping functions should be separated. In small offices where segregation

should be reported as accounts receivable. Any outstanding invoices that were not submitted to FMO should be included.”

Without adequate controls over accounts receivable processes the risk is increased that funds will be lost due to undetected errors or misappropriations. Inaccurate reporting of accounts receivable could result in poor management decision-making regarding receivable information.

Recommendation

Determine if accounts receivable management and reporting should be handled by FMO to assist with increasing collections, accuracy of reporting, and compliance with laws and regulations. In coordination with FMO, develop written procedures for managing accounts receivable including credit management, reporting, collections, and state hold processes. Perform periodic account reconciliations of accounting systems to FAMIS. Evaluate outstanding receivable accounts and determine which accounts need to be placed on state hold.

Management’s Response

Management understands that without additional controls over accounts receivable processes, the risk of errors or misappropriation of funds is increased and inaccurate reporting might be used for decision-making. Student Media has developed, documented and will implement detailed procedures, (one of three options provided and supported by FMO), which will ensure compliance with university reporting, collection, extending of credit, reconciliation, and state hold requirements.

Target Date: August 31, 2013.

2. Cash Handling

Observation

Departmental cash handling processes do not ensure appropriate segregation of duties and timely deposits.
2. Cash Handling (cont.) of duties is impractical, supervisory personnel who do not handle cash should perform specific verification that provides for reasonable and sound internal controls.” The department lacked supervisory monitoring and verification over the cash collections.

The department’s receipting processes are not in compliance with A&M System regulations which require the deposits of receipts to be made daily or if they are less than $200 deposits shall be made within three days. Student Media had 13 of 15 (87%) deposits that were not made timely and one deposit took 12 days from receipt to deposit. The average was 4.5 days from receipt to deposit. The Business Services Office had 10 of 15 (67%) deposits that were not made timely and one deposit took 19 days from receipt to deposit. The average was 4.4 days from receipt to deposit.

Various program areas collect payments and then submit to the Business Services Office who then prepares the deposit to FMO. A&M System Regulation 21.01.02 states “in most instances, fees and other charges collected, proceeds of cash sales and proceeds from other sources must be deposited to the applicable fiscal department on a daily basis.”

Without appropriate controls over cash handling processes the risk of undetected errors or misappropriation of funds increases.

Recommendation

Segregate incompatible duties to ensure resources are appropriately protected. Periodically review the processes to ensure they are functioning as intended and job duties are properly segregated. Ensure deposits are made timely in accordance with the A&M System regulation.

Management’s Response

Management understands that without additional controls over cash handling processes, the risk of errors or misappropriation of funds is increased. Student Media and the Business Services Office have developed, documented and will implement detailed procedures that will ensure compliance with cash handling requirements. These procedures address appropriate segregation of duties regarding receiving, deposit procedures, processing and reconciliation of accounts that ensure timely deposits and monitoring of controls and processes by management.

Target Date: June 30, 2013.
3. FERPA Training

Observation

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<th>Changes are needed in assigning FERPA training to Student Life employees.</th>
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<tr>
<td>Employees required to take the university Family Educational Rights and Privacy Act (FERPA) training had not taken the training as required by the Student Life department manual. The training helps employees understand the requirements of federal law concerning privacy requirements of student records. Seventeen of 20 (85%) sampled employees had not completed the training. Management was not aware training was not automatically assigned to employees in the online training program, TrainTraq. Without training employees may not be aware of the privacy requirements regarding student data accessed as part of their employment.</td>
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Recommendation

| Assign FERPA training in TrainTraq to all employees in Student Life. Develop a process to monitor completion of the training. Develop a process to monitor that all employees have been assigned and completed the FERPA training. |

Management’s Response

| As of May 1, 2013, all employees have been assigned and completed FERPA training in TrainTraq. A step has been added to the processing of new Student Life employees to assign FERPA training in TrainTraq which is required to be completed within 30 days of hire date. Additionally, FERPA training will be set up in TrainTraq in a manner to automatically assign the training annually to employees as a refresher. Management will monitor, on a monthly basis, the status of employee training. |

| Target Date: May 31, 2013. |

4. Confidentiality Statements

Observation

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<th>Student Life employees do not all have signed confidentiality statements.</th>
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<td>Current practices do not ensure compliance with Student Life’s requirements for employees to sign confidentiality/non-disclosure agreements upon hire. Three of 20 (15%) employees did not have signed statements in their personnel file. New hire processes were not followed for some new employees which led to the oversight. It is important to have employees sign a confidentiality/non-disclosure statement acknowledging that they...</td>
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4. Confidentiality Statements (cont.)

have access to confidential information as part of their work, and that they have responsibility to not divulge this confidential information.

Recommendation

Ensure all new employees are provided the confidentiality statements upon hire, sign and date the statements and place them in their personnel file. Send annual reminders and reaffirmations for staff to read and sign.

Management’s Response

Procedures have been added to the new hire checklist to ensure that all employees sign a confidentiality/non-disclosure agreement during the hiring process. Additionally, a process has been established for an annual re-certification of the confidentiality/non-disclosure agreement. As of May 1, 2013, management has confirmed that all current employees have signed an annual re-certification.

Target Date: May 31, 2013.

5. Task Workers Payroll

Observation

Processing of payroll for Student Media task workers takes between one and two days and requires a large number of timesheets to be deleted. Student Media employs approximately 67 student workers who are paid wages based on the type of article or advertisement submitted for the student newspaper. Each student employee may have up to four different timesheets for each bi-weekly pay period which may or may not be used in any pay period. For one pay period approximately 200 timesheets were manually deleted by the administrative staff responsible for entry and approval of task workers in the system. This process is an inefficient use of personnel time.

Recommendation

Engage the university’s Payroll Operations to determine a more efficient method for processing supplemental payments for student task workers.
Management’s Response

5. Task Workers Payroll (cont.)

Management has consulted with Payroll Operations to determine possible efficiencies. After review with Payroll Operations, management has reduced the number of task worker pay scales from four pay scales to two pay scales. This change will reduce the number of pay sheets and will reduce the amount of effort and chance of errors when preparing bi-weekly payrolls. Additionally, a semester review of task workers that need to be removed from the payroll system will be performed. Use of the new pay scales and the initial semester review of task workers will be performed before the May 29th payroll is submitted.

Target Date: May 31, 2013.
BASIS OF REVIEW

Objective

Evaluate financial accounting, student information, and student conduct in the Department of Student Life to determine if Student Life is in compliance with laws and policies.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System; Rules and Standard Administrative Procedures of Texas A&M University; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' “International Standards for the Professional Practice of Internal Auditing.”

Additionally, we conducted this performance 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 our findings and conclusions based on our audit objectives.

Background

The Department of Student Life is within the Division of Student Affairs at Texas A&M University. The department employees approximately 35 staff, 11 graduate assistants, and 92 student workers (67 of which are task workers within Student Media). The major service areas include Adult, Graduate, and Off Campus Student Services; Alcohol and Drug Education Programs; Gay Lesbian, Bisexual, Transgender Resource Center; New Student and Family Programs; Student Conflict Resolution Services; Student Assistance Services; Women's Resource Center and Student Media. Student Media publishes the Battalion newspaper, Aggieland yearbook, and the Campus Directory which are written, edited, and produced by students.
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