

TEXAS Extended Campus

Revenue Processes

May 2021



The University of Texas at Austin
Office of Internal Audits
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May 27, 2021

President Jay C. Hartzell
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of TEXAS Extended Campus (TEC) as part of our Fiscal Year 2021 Audit Plan. The objective of the audit was to evaluate controls for revenue processes. The report is attached for your review.

Overall, TEC's internal controls for revenue processes are effective. However, there are opportunities for TEC to segregate accounts receivable duties, strengthen oversight of accounts receivable, eliminate retention of unmasked credit card numbers, and strengthen the revenue reconciliation process.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA
Chief Audit Executive

cc: Ms. Monica Horvat, Director of Administration for the President
Dr. Daniel Jaffe, Interim Executive Vice President & Provost
Dr. Arthur B. Markman, Interim Executive Director, TEC
Mr. Aaron Sinkar, Financial Officer & Director of Business Services, TEC
Dr. Catherine Stacy, Interim Chief of Staff to the Executive Vice President & Provost
Dr. Antoinette Wegner, Chief Operating Officer, TEC



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Executive Summary

TEXAS Extended Campus

Revenue Processes

Project Number: 21.020

Audit Objectives

The objectives of this audit were to:

- Determine whether registration revenue is recorded in *DEFINE
- Determine whether management has established controls for accounts receivable for core and non-core units
- Determine whether the Thompson Conference Center (TCC) has established controls for deposits and accounts receivable, including reconciliations

Conclusion

TEXAS Extended Campus’s (TEC) internal controls for revenue processes are effective. However, there are opportunities for TEC to segregate accounts receivable duties, strengthen oversight of accounts receivable, eliminate retention of unmasked credit card numbers, and strengthen the revenue reconciliation process.

Audit Observations¹

Recommendations	Risk Level	Estimated Implementation Date
Segregation of Duties for Accounts Receivables	High	September 2021
Accounts Receivables Monitoring	High	September 2021
Retention of Credit Card Information	High	December 2021
Revenue Reconciliation	Medium	December 2021

Engagement Team

Ms. Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

Mr. Brandon Morales, CISA, CGAP, Audit Manager

Mr. Ramiro Muñoz, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Audit Results

Overall, TEC's internal controls for revenue processes are effective. TEC has documented many of its key revenue processes, including payments and deposits. However, there are opportunities for TEC to segregate accounts receivable duties, strengthen oversight of accounts receivables, eliminate retention of unmasked credit card numbers, and strengthen the revenue reconciliation process.

The following four recommendations and additional risk considerations will strengthen controls and improve business processes.

Observation #1 – Segregation of Duties for Accounts Receivables

TEC has not established segregation of duties in the accounts receivables process. Individuals have responsibility and access to invoice clients, manage payment plans (track and follow up), and collect payments. The *University of Texas at Austin Segregation of Duties and Reconciliation of Accounts Monitoring Plan June 2020* states that certain duties should be performed by separate individuals to reduce the risk of fraud or errors, and no one individual should have responsibility for all aspects of a transaction.

Recommendation: TEC should segregate accounts receivables responsibilities. If segregation is not possible, given the limited staff, TEC management should provide more oversight and review.

Management's Corrective Action Plan: TEC's Student Services department will restructure responsibilities to incorporate segregation of duties into the accounts receivables process. To facilitate the segregation of duties, Student Services is adding responsibilities to position P_0000138258 (9026S – administrative assistant) and position P_0000130706 (9026S – administrative assistant) in the accounts receivable process. Adding responsibilities to other student service positions will ensure that no one individual will have responsibility for all aspects of a transaction.

The student services manager will review and approve payment plans that deviate from the pre-approved, standard payment plan. Moreover, monthly reviews of all existing payment plans will be reviewed by the student services manager.

Responsible Person: Director of Operations & Student Services department

Planned Implementation Date: September 1, 2021

Observation #2 – Accounts Receivables Monitoring

TEC has not established a consistent process to monitor and provide oversight of accounts receivables balances. Although TEC has established internal policies outlining specific due dates



for customers to remit payments, TEC does not always conduct timely follow-up to collect or write-off bad debts when payments are overdue.

Recommendation: TEC should monitor accounts receivables, including review of aging reports, to ensure timely follow-up, to increase the likelihood that payments are received, and to reduce bad debt write-offs.

Management's Corrective Action Plan: The student services manager will increase oversight of the accounts receivable process by reviewing and revising procedures to strengthen process controls, and will communicate the accounts receivables process to staff associated with the process. Accounts receivable report(s) will be generated every month to identify and contact individuals with upcoming payments. Contact notes will be documented in the individual's account record.

The student services manager will generate a monthly report for bad debt write-offs that will be reviewed and approved by the financial officer and director of business services before recording account adjustments.

Responsible Person: Director of Operations & Student Services, Financial Officer & Director of Business Services

Planned Implementation Date: September 1, 2021

Observation #3 – Retention of Credit Card Information

TEC receives payment plan forms via email because the registration systems do not have the functionality to process payment plans online. The forms include unmasked credit card numbers. Because of system limitations, TEC stores the forms in Salesforce (customer relationship management cloud-based platform) for certain payment plans (i.e., when the second installment is higher than the first) until the second payment is processed. Storing unmasked credit card data in systems increases the risk of fraud, theft, and noncompliance with Payment Card Industry (PCI) Data Security Standards. The *Handbook of Business Procedures 6.4. Credit Card Collections* addresses the means by which departments may accept credit card payments from customers and the departmental responsibilities for department-controlled credit card processing. Additionally, the UT Austin Information Security Office (ISO) requires specific standards to be met in order to store confidential data.

Recommendation: TEC should eliminate the need to retain unmasked credit card numbers in the system by changing the payment plan criteria (i.e., first installments should be higher amounts than future installments). As a long-term solution, TEC should also consider investing in a system with the functionality to process credit card payment plans online.



If TEC decides to continue storing credit card information, management will need to work with the vendor (Salesforce) to submit an assessment² or a recently completed HECVAT³ to the ISO. To comply with UT Austin requirements, one of the forms must be reviewed and approved by the ISO.

Management's Corrective Action Plan: The director of operations & student services will lead the effort to restructure TEC's payment plan criteria so that the first installment is higher than future installments, thus reducing retention time by eliminating the credit card information after the first payment is processed. TEC will review the *Handbook of Business Procedures 6.4. Credit Card Collections*.

TEC will be initiating a systems modernization planning project in the next year that will include reviewing how payment is accepted. TEC will ensure that all payment options, including payment plans, are addressed and remain within ISO and PCI compliance standards.

Responsible Person: Director of Operations & Student Services

Planned Implementation Date: December 31, 2021

Observation #4 – Revenue Reconciliation

TEC management conducts spot checks of revenue focusing on the Continuing Professional Education unit; however, management does not regularly conduct reconciliations of revenue for other departments. In addition, a documented reconciliation policy has not been developed. When revenue is not reconciled, there is an increased risk of loss or misuse of UT Austin funds. The *Handbook of Business Procedures 2.5 Account Reconciliation* states that Business Officers and Departmental Managers responsibilities include “ensuring that transactions are reviewed every month and accurate accounting records are maintained, and ensuring that all account reconciliations have been completed.”

Recommendation: TEC management should document the reconciliation process and ensure that revenue is reconciled for all units within their portfolio.

Management's Corrective Action Plan: To regularly conduct more comprehensive revenue reconciliations, the financial officer and director of business services will hire a financial analyst. The financial analyst will be responsible for conducting monthly revenue reconciliations for all units within the portfolio. The financial officer and director of business services will document the reconciliation process to ensure the proper controls are in place.

Responsible Person: Financial Officer & Director of Business Services

² The assessment is available at <https://isora.security.utexas.edu/external/378820dd-a0e7-454b-864b-4b82c0348e30#c23f1bbf-ed4d-fa9f-e611-ba4b0e175250>

³ Higher Education Community Vendor Assessment Toolkit (HECVAT) – a security assessment template that attempts to generalize higher education information security and data protection and issues regarding cloud services for consistency and ease of use.



Planned Implementation Date: December 31, 2021

Additional Risk Considerations

Segregation of Duties for Deposits

During fiscal year 2020 (FY20), TEC did not have formal segregation of duties for deposits. The senior administrative associate was fully responsible for creating and approving the daily deposits before routing directly to the Bursar's Office. In February 2021, the financial officer and director of business services began reconciling and reviewing deposits before routing to the Bursar's Office. The financial officer and director of business services should continue to provide this oversight function.

Data Accuracy and System Knowledge

Because of staff reductions, turnover, and furloughs during the pandemic, as well as lack of documented procedures and cross training, some of the information initially provided during the review by TEC staff was inaccurate or incomplete. Although clarification was received during the review, this highlighted the need for management to ensure that systems' knowledge and internal processes are well documented and shared. These practices ensure business continuity and accuracy of information during times of staff turnover.

Background

TEC serves learners ranging from college students to retirees by offering a variety of online and in-person courses, trainings, certificate programs, and educational conferences to advance careers. TEC is comprised of six enterprises (units), including the Center for Professional Education (CPE), Osher Lifelong Learning Institute (OLLI), Thompson Conference Center (TCC), Informal Classes, Testing and Evaluation Services (TES), and University Extension (UEX).

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the 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 on our audit objectives.

The scope of this review included the FY19 & FY20 for TCC and FY20 & FY21⁴ for the other units. Specific audit objectives are to:

⁴ FY21 only applies to the accounts receivables objective.



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- Determine whether registration revenue is recorded in DEFINE
- Determine whether management has established controls for accounts receivable for core and non-core units
- Determine whether TCC has established controls for deposits, accounts receivable, and reconciliations

The following procedures were conducted:

- Mapped the current deposit, reconciliation, and accounts receivable processes for course registrations and reservations, while noting whether segregation of duties is in place
- Obtained data for all TEC's course registrations (FY20 & FY21⁴) and reservations (FY19 & FY20)
- Selected a random and judgmental sample of completed (credit card and check) and underpaid (accounts receivable) payments to conduct testing



Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Distribution

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