

# **Sponsored Student Billing**

*International Office*

*(Revised)*



*April 2016*

**The University of Texas at Austin**

**Office of Internal Audits**

**UTA 2.302**

**(512) 471-7117**

## **The University of Texas at Austin Internal Audit Committee**

Mr. William O'Hara, External Member, Chair  
Dr. Gregory L. Fenves, President  
Dr. Judith Langlois, Executive Vice President and Provost, ad interim  
Dr. Patricia L. Clubb, Vice President for University Operations  
Ms. Patricia C. Ohlendorf, Vice President for Legal Affairs  
Dr. Daniel T. Jaffee, Vice President for Research  
Dr. Gage E. Paine, Vice President for Student Affairs  
Mr. Darrell L. Bazzell, Senior Vice President and Chief Financial Officer  
Ms. Mary E. Knight, CPA, Associate Vice President for Finance  
Mr. Paul Liebman, Chief Compliance Officer  
Mr. Cameron D. Beasley, University Information Security Officer  
Ms. Christine A. Plonsky, Women's Athletics Director and Executive Senior Associate  
Athletics Director for External Services  
Mr. Tom Carter, External Member  
Ms. Lynn Utter, External Member  
Ms. Susan Whittaker, External Member  
Mr. Michael W. Vandervort, Chief Audit Executive  
Mr. J. Michael Peppers, Chief Audit Executive, University of Texas System

## **The University of Texas at Austin Office of Internal Audits**

Chief Audit Executive:	Michael Vandervort, CPA
Associate Director:	Jeff Treichel, CPA
Assistant Directors:	*Angela McCarter, CIA, CRMA Chris Taylor, CIA, CISA
Audit Manager:	Brandon Morales, CISA, CGAP
Auditor III:	*Michael Hammond, CIA, CISA, CFE Cynthia Martin-Hajmasy, CPA Ashley Oheim, CPA
Auditor II:	Bobby Castillo Stephanie Grayson *Kerri Jordan Miranda Pruett, CFE
Auditor I:	*Jason Boone
IT Auditor:	Michael McIntosh Tiffany Yanagawa * denotes project members

This report has been distributed to Institutional Audit Committee members, the Legislative Budget Board, the State Auditor's Office, the Sunset Advisory Commission, the Governor's Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**International Office – Sponsored Student Billing (Revised)  
Project Number: 15.411**



OFFICE OF INTERNAL AUDITS  
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe Street, Suite 2.302 • Austin, TX 78701 • (512)471-7117 • FAX (512)471-8099

May 31, 2016

President Gregory L. Fenves  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Fenves,

We have revised the International Office Sponsored Student Billing report originally provided to your office on April 25, 2016. The report was revised to incorporate timing of The Office of Internal Audit's post audit review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael W. Vandervort".

Michael W. Vandervort, CPA  
Chief Audit Executive

Enclosure: International Office – Sponsored Student Billing Audit Report (Revised)

cc: Institutional Audit Committee Members  
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff  
Dr. Judith Langlois, Executive Vice-President and Provost (Interim)  
Dr. Janet Ellzey, Vice Provost of International Programs  
Dr. Terri Albrecht, Executive Director, International Office  
Ms. Patricia Ohlendorf, Vice President for Legal Affairs  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits



**OFFICE OF INTERNAL AUDITS**  
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe Street, Suite 2.302 • Austin, TX 78701 • (512)471-7117 • FAX (512)471-8099

April 25, 2016

President Gregory L. Fenves  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of International Office student sponsored billing. Our scope included policies, procedures, and controls in place for sponsored student billing flowing through the International Office from FY 2015 to FY 2016.

Based on interviews with relevant staff, a review of policies, procedures, and applicable departmental documentation, opportunities for improvement were noted involving compliance with policies and procedures, sponsoring organization award requirements being met, and controls regarding the sponsored student billing process. An additional opportunity for improvement was found regarding the international wire service which was added to our scope during the audit. Suggestions are offered throughout the report for improvement in the existing control structure.

We appreciate the cooperation and assistance of the International Office throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael W. Vandervort".

Michael W. Vandervort, CPA  
Chief Audit Executive

cc: Institutional Audit Committee Members  
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff  
Dr. Judith Langlois, Executive Vice-President and Provost (Interim)  
Dr. Janet Ellzey, Vice Provost of International Programs  
Dr. Terri Albrecht, Executive Director, International Office  
Ms. Patricia Ohlendorf, Vice President for Legal Affairs  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits



## **TABLE OF CONTENTS**

Executive Summary .....	1
Background .....	2
Scope, Objectives, and Procedures .....	3
Audit Results.....	3
Conclusion .....	9
Appendix.....	10



## EXECUTIVE SUMMARY

### **Conclusion**

Based on interviews with relevant staff, a review of policies, procedures, and applicable departmental documentation, opportunities for improvement were noted involving collections, timely payment application, separation of duties, sponsorship information, and document retention. An additional opportunity for improvement was found regarding the international wire service which was added to our scope during the audit. Six recommendations were made to improve controls in these areas.

### **Summary of Recommendations**

Each issue has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions. Internal Audits identified four notable issues which led to the following recommendations:

- Recommendation #1: Management should ensure that a late payment fee is applied to all past due invoices. In addition, management should ensure that all graduating students have a zero balance and financial bars are applied when required.
- Recommendation #2: Management should ensure that payments received by UT Austin are claimed in a timely manner and applied to appropriate accounts within one business day.
- Recommendation #3: Management should work with Student Accounts Receivable to explore whether the international wire service is allowed and whether a policy exception is needed. If there is not an alternative to the service, management should ensure that requirements are specific and the process is formally documented.
- Recommendation #4: Management should ensure adequate separation of duties by implementing access controls for student and sponsor information and ensure invoices are reviewed by someone that does not also have access to modify the invoice.

Two additional issues are included in the report, but are considered minor in significance.

### **Audit Scope and Objective**

The scope of this audit included policies, procedures, and controls in place for sponsored student billing flowing through the International Office from FY 2015 to FY 2016. The scope was expanded during the audit to include the international wire service. Specific audit objectives were to determine whether:

- The management of sponsored and international wire accounts handled by IO is in compliance with policies and procedures at The University of Texas at Austin;
- Sponsoring organization award requirements are being followed; and
- IO sponsored student billing processes have adequate controls.

### **Background Summary**

The University of Texas at Austin is host to almost 5,000 international students, 800 English as a Second Language students, and 1,500 international faculty and scholars representing more than 120 countries. IO offers a variety of services to international students, faculty, visiting scholars, and their families including facilitation of sponsored student billing and the international wire service for international and study abroad students.



## **BACKGROUND**

The International Office (IO) is organized under the Office of the Executive Vice President and Provost and consists of the International Student and Scholar Services, English as a Second Language instruction, Global Risk and Safety, Special Projects, and Study Abroad programs. The University of Texas at Austin (UT Austin) is host to almost 5,000 international students, 800 English as a Second Language students, and 1,500 international faculty and scholars representing more than 120 countries.<sup>1</sup>

IO supports the education, research, and service goals of UT Austin by creating access to international and cultural exchange. As the central home for study abroad, international student and scholar services, English as a Second Language instruction, global risk and safety, and cross-disciplinary international projects, the International Office leads the development and implementation of UT Austin's international academic strategy.

IO offers a variety of services to international students, faculty, visiting scholars, and their families including assistance with immigration status, employment, housing, health insurance, medical care, social security, income tax regulations, financial aid, and personal concerns. Finance and Administration (F&A) provides the administrative and financial infrastructure to support IO including budgets, accounting, human resources, travel, purchasing, information technology, and administrative support for the Vice Provost of International Programs.<sup>2</sup> In addition, IO provides sponsored student billing, the international wire service, and processes financial aid and scholarships for international and study abroad students.

An audit of the office's sponsored student billing processes was conducted at the request of the Executive Director of IO. The initial objective of the project was to review only sponsored student billing procedures but was expanded to include the international wire service.

Regarding sponsored student billing, IO establishes a relationship with a student and the sponsoring agency, obtains appropriate documentation and billing information, and invoices the sponsor directly for a student's tuition. This allows the tuition bill to be deferred for the student in order to facilitate a student's registration. IO pays the student's tuition and then bills the sponsoring agency.

Regarding the international wire service, IO does not establish an ongoing relationship or invoice sponsors. IO confirms that the student has registered for classes and an associated tuition bill has been created. IO requires that a student present documentation that an electronic bank transfer (wire) is in transit. IO pays for the student's tuition and identifies and claims the associated wire when it reaches UT Austin.

---

<sup>1</sup> International Office website located at <http://world.utexas.edu/about>.

<sup>2</sup> International Office website located at <http://world.utexas.edu/finance>.



## **SCOPE, OBJECTIVES, AND PROCEDURES**

The scope of this audit includes policies, procedures, and controls in place for sponsored student billing and the international wire service from FY 2015 to FY 2016. Specific audit objectives are to determine whether:

- The management of sponsored student and international wire accounts handled by the International Office is in compliance with UT Austin policies and procedures;
- Sponsoring organization award requirements are being followed; and
- IO sponsored student billing processes have adequate controls.

To achieve these objectives, Internal Audits:

- Reviewed UT Austin policies and procedures for sponsored student billing and the international wire service;
- Reviewed IO policies and procedures for sponsored student billing and the international wire service;
- Reviewed sponsorship letters from sponsoring organizations; and
- Conducted testing on a sample of sponsored student and international wire accounts.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

## **AUDIT RESULTS**

IO has documented policies and procedures regarding sponsored student billing and the international wire service. Sponsored student billing involves IO determining sponsorship in order to defer a student's tuition. IO accomplishes this by paying the student's tuition and invoicing the sponsoring agency. The international wire service involves IO confirming that a wire is in transit and subsequently paying the student's tuition to UT Austin. IO is currently implementing a new database which will contain sponsor and student information for both advising through International Sponsored Student Services (ISSS) and billing through F&A. However, six recommendations were made to enhance controls related to sponsored student billing and the international wire service.

Each issue has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.



## Sponsored Student Billing Collections

### Audit Issue Ranking: High

Twelve of 25 (48%) sponsor invoice payments tested were paid past the due date. IO does not impose a late fee for past due invoices or monitor sponsor unpaid invoices for graduating students. In addition, IO maintains approximately \$90,891 in aged receivables older than five years. When financial bars are not implemented in a timely manner, IO may not have the leverage needed to collect on overdue invoices for graduating students which may result in a loss of funds.

Section 15.2.C of UT Austin *Handbook of Business Procedures (HBP)* states, "If a student has an uncollected balance, it becomes a financial bar, which prevents receipt of university services, including registering for class, obtaining new institutional loans, and receiving official transcripts."

Section 6.1 of *The University of Texas System (UTS) 166 Cash Management and Cash Handling Policy* states, "All payments due will be collected on a timely basis." In addition, Section 6.2.j states, "To the extent allowed by law, a minimum flat late fee of 15% shall be established, billed, and collected for all payments not made within 60 days as appropriate."

**Recommendation 1:** Management should ensure that a late payment fee is applied to all past due invoices. In addition, management should ensure that all graduating students have a zero balance and financial bars are applied when required.

### **Management's Response and Corrective Action Plan:**

#### **Past Due Invoices**

Responsible Person: Teri Albrecht

Planned Implementation Date: complete benchmark review by 8/31/2016

We will benchmark peer institutions as to their practice in assessing late fees to past due invoices. We want to ensure that if we charge a late fee, that we are not the only institution doing so, which could cause sponsoring agencies to avoid sending students to UT Austin. We don't want the implementation of a late fee to result in a negative effect whereby we could risk losing quality prospective international students. If it is determined that a late fee will not be assessed, IO will obtain a policy exception from UT System Office of Finance.

#### **Graduating Students**

Responsible Person: Larry Phu & Teri Albrecht

Planned Implementation Date: 04/30/2016

We will run a report each semester to identify students who have filed to graduate and reverse the A/R code no later than the last day of the month preceding graduation even if the invoice has not reached past due status. At this point, the



financial responsibility will shift to the student and a financial bar will be placed on the student's account.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

### **Payment Application**

#### **Audit Issue Ranking: High**

Three of 25 (12%) wires sent to UT Austin from sponsors were applied to the student's IO balance 85 days or more after receiving the payment. The Office of Accounting may receive wires from sponsors that have not identified which UT Austin department the wire belongs to. In addition, when IO receives the daily wire list, sponsors do not always identify which students are included in the wire. If payments are not applied in a timely manner, IO staff may not be able to identify and act upon potential collection issues which could result in loss of UT Austin funds.

Section 4 of *UTS118 Dishonest or Fraudulent Activities* states, "Management shall establish and maintain a system of internal control that provides reasonable assurance that improprieties are prevented and detected."

**Recommendation 2:** Management should ensure that payments received by UT Austin are claimed in a timely manner and applied to appropriate accounts within one business day.

#### **Management's Response and Corrective Action Plan:**

Responsible Person: Larry Phu

Planned Implementation Date: 08/31/2016

Larry Phu is working with John Walker in Cash Management to formulate a response and policy as it relates to receiving wires and when cash management sends reports. In our new database system, which went live on 3/25/2016, we have specific instructions on the invoice as well as in the email sent that is sent to the sponsor that provides specific instructions regarding what information needs to be included on the wire.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

### **International Wire Service**

#### **Audit Finding Ranking: High**

Neither the intent nor requirements of the international wire service is clear. Additionally, the international wire service may be duplicative with other UT Austin processes. The service may have been created for MBA students who had tuition bills that exceeded the standard emergency tuition loan. However, since that time, the service has expanded for many other circumstances. IO policy states, "The funds wired should be for the purpose of attending the University"; however, in some cases the entire wire amount is refunded to the student. As a result, students and sponsors may be bypassing



the fees associated with sponsored student billing. The international wire service may also strain resources required to manage the informal process.

The IO webpage states, “ISSS may be able to help you apply for tuition or cash loans that must be repaid to the university at a 4% interest rate.”

Section 15.3.A of UT Austin *HPB* states, "The University of Texas at Austin provides short-term Emergency Cash Loans and Tuition Loans to eligible students."

In addition, section 15.1.A of UT Austin *HBP* states, "[The Office of Accounting] Student Accounts Receivable is responsible for billing, collections, and maintaining controls for the Centralized Receivables system, which includes tuition and fees and other student bills."

**Recommendation 3:** Management should work with Student Accounts Receivable (SAR) to explore whether the international wire service is allowed and whether a policy exception is needed. If there is not an alternative to the service, management should ensure that requirements are specific and the process is formally documented and approved by SAR.

**Management’s Response and Corrective Action Plan:**

Responsible Person: Larry Phu

Planned Implementation Date: 08/31/2016

IO Management will explore whether the international wire services is permitted, and whether or not the IO will continue to facilitate this service. If it is determined that the IO will continue facilitating wire services, we will seek to determine if a policy exception is needed and create documented policy and procedures.

The IO proposes that if there is no student debt (no tuition bill issued), the wire should not be claimed. Additionally, we will investigate setting a limit above the amount needed to cover the tuition bill, whereby the student would receive cash based on the balance of what was wired minus the tuition bill due.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

**Separation of Duties**

**Audit Issue Ranking: High**

The International Office maintains separate master lists for student information. There should only be one master list to maintain appropriate control over the information. Since ISSS interfaces directly with a student, only ISSS should have access to update the master list to prevent unauthorized changes. Inadequate separation of duties could result in unauthorized changes to the master list, data errors, and fictitious billing.



In addition, invoices prepared by F&A staff are not reviewed by someone that does not also have access to modify invoice information. In the past, invoices have been reviewed by an individual who also has access to modify invoice information. Invoices should be compared against the master list and reviewed for accurate information including wire instructions. Insufficient separation of duties between invoice preparation and review could result in wire information changes and loss of funds.

Section 4 of *UTS118 Dishonest or Fraudulent Activities* states, “Management shall establish and maintain a system of internal control that provides reasonable assurance that improprieties are prevented and detected.”

**Recommendation 4:** Management should ensure that there is adequate separation of duties by implementing access controls for master sponsor and student information between ISSS and F&A. In addition, management should ensure invoices are compared against the master list and reviewed by someone that does not also have access to modify the invoice.

**Management’s Response and Corrective Action Plan:**

Responsible Person: Larry Phu

Planned Implementation Date: 3/15/2016

Separation of duties will be established. The accountant responsible for sponsored student billing will issue the invoices. Another accountant, without access to the invoice system, will review the invoices for accuracy and compare the invoices to the master list.

In the past, invoices were not routinely reviewed by a second person unless there was an exceptional case that required the supervisor to review the invoice. All invoices will now be reviewed before being sent to the sponsor. The second reviewer will document that this additional step was completed in the software system by checking a field that will indicate that the invoice has been reviewed by a second person. A new shared database has been built and is in production to have shared information for both ISSS and F&A. The new database will contain appropriate access controls for updating information so that separation of duties is maintained.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

**Sponsor Letter and Contact Information**

**Audit Issue Ranking: Medium**

Ten of 25 (40%) sponsor letters tested were missing at least one required element. IO does not have a standard template to ensure all required third party billing information is obtained consistently. When sponsor letter information is incomplete, F&A staff may encounter difficulties in contacting sponsors and collecting on outstanding invoices, resulting in extended billing timelines and process inefficiencies. Additionally, the amount processed may be incorrect or the sponsorship may have expired.



The IO *Sponsored Student Billing Policy* states, "The student must provide documentation to ISSS detailing the terms of sponsorship from the sponsor. The sponsor letter should include: a.) name of student, b.) name and contact information of the sponsor billing contact, including physical address, phone numbers, and an email address, c.) specific length of sponsorship - this must include the actual semesters that will be covered by the sponsor, d.) financial limits, including what fees and charges the sponsor will specifically cover."

**Recommendation 5:** Management should ensure that required sponsor information and related documentation is complete prior to authorizing third party billing. Management should consider creating a standard template containing all required elements needed from each sponsor.

**Management's Response and Corrective Action Plan:**

Responsible Person: Teri Albrecht

Planned Implementation Date: 6/1/2016

A template is currently being developed that will be used beginning with any new sponsored students admitted in Summer 2016. The new template will address the details needed in the sponsor letter and make it explicit to both the student and the IO accounting office, what expenses will be covered by the sponsor. This information will be collected and updated in the database for all new students.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

**Required Documentation**

**Audit Issue Ranking: Medium**

Five of 25 (20%) student agreements, nine of 25 (36%) Certificate of Financial Responsibility documents, and one of 25 sponsor letters were not retained. An informal advising process and high employee turnover may have resulted in documents not being retained appropriately. When appropriate documentation is not collected or retained, IO may encounter difficulties in proving that students and sponsors are liable to pay outstanding invoices.

Section 20.1.A of UT Austin *HBP* states, "The University of Texas at Austin is required to comply with state and federal mandates to establish an active and ongoing records management program. A state (university) record is any recorded information created or received in the course of university business.

The IO *Sponsored Student Billing Policy* states, "A student is considered sponsored for billing purposes if the following requirements are met: The student has signed the sponsored student agreement form." In addition, IO webpage titled Financial Requirements states, "Students planning to attend UT Austin in [legal student] status must complete the Certificate of Financial Responsibility (CFR)."



**Recommendation 6:** Management should ensure that required sponsored student documentation is collected and retained prior to authorizing third party billing. Management should ensure documentation is retained as part of a records management program consistent with UT Austin policy.

**Management’s Response and Corrective Action Plan:**

Responsible Person: Teri Albrecht & Larry Phu

Planned Implementation Date: 09/15/2016

Documentation of financial support (Sponsor’s letter, Agreement Template, and any further supporting documentation will be uploaded by the sponsored student advisor into the new database created for Sponsored Student billing. The Sponsor letter and agreement template must be loaded into the database before the accountant will consider the student a sponsored student eligible for third-party billing.

This is different from our current practice where ISSS staff currently upload documents into Advisor’s Toolkit. This is not an electronic tool that the IO Accountants regularly work with. The new database will provide the information in one place for both ISSS and IO Accounting with controls in place that will limit access to information (e.g. ISSS will be able to update certain fields and IO Accounting will be able to update certain fields). Viewing access will be available across all fields and by both offices.

All new students beginning summer 2016 will have financial support documentation uploaded into the database. All continuing students will have the documents loaded into the database by 09/15/2016.

The ISSS website will be updated to clearly outline what financial support documents are required for sponsored students.

**Post Audit Review:** Internal Audits will perform follow-up in the first quarter of FY2017.

## CONCLUSION

Based on interviews with relevant staff, a review of policies, procedures, and applicable departmental documentation, opportunities for improvement were noted involving collections, timely payment application, separation of duties, sponsorship information, and document retention. An additional opportunity for improvement was found regarding the international wire service which was added to our scope during the audit. Six recommendations were made to improve controls in these areas.

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



## APPENDIX

### Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.
- **High** – An issue that is 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** – An issue that is 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** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.